EUROPE'S BUSINESS NEWSPAPER

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WORLD NEWS

IRA admits Dortmund shooting

THE IRA claimed responsibility for the murder on Thursday night of the wife of a British Army staff sergeant based in West Germany.

West German Heidi Hazell, 26, was killed in a UK-registered car in the Unna Massen suburb of Dortmund when a man opened fire with a Kalashnikov automatic rifle, firing 14 bullets into the vehicle before escaping in a waiting car. He was reportedly dressed like a British soldier.

An IRA statement said the woman was killed in the belief that she was a member of the British Army garrison, but there was no apology or mention of regret.

Hope for East Germans

West German Foreign Minister Hans-Dietrich Genscher said he expected thousands of East Germans waiting in Hungary for evacuation to the West to leave within a few days. However Bonn denied that it had made any arrangement with Budapest to smooth the way. In East Berlin, 116 asylum-seekers in West Germany's diplomatic mission agreed to return home. Page 2

UDR man questioned

Detectives were questioning a UDR soldier about the murder last month of Roman Catholic Loughlin Maginn and the leaking of security secrets to Protestant paramilitaries. Two men kidnapped in west Belfast on Thursday were released unharmed by the IRA.

Hungarian olive branch

Hungary's ruling Communist Party proposed demilitarising a 30-mile wide zone along its borders with Austria and Yugoslavia and said Moscow had agreed to remove Soviet tanks from the area.

Scots Tory chief resigns

President of the Scottish Conservative Party, Professor Ross Harper, resigned in the wake of newspaper allegations about his private life.

Colombian pilot held

The Colombian army detained nine people in Medellin, including a pilot for reputed drug cartel leader Pablo Escobar, the first suspects in the murder in August, sparking fresh bomb and arson attacks.

Tutu plans mass march

South African church leaders Archbishop Desmond Tutu and Allan Boesak called for an illegal mass march on South Africa's newly-elected parliament next week to protest against alleged killings by police in a crackdown on polling day unrest.

TV plans attacked

Bruce Gyngell of TV-am, one of the most free-market oriented managing directors in British commercial television, warned the Government that there would be serious problems if broadcasting licences were awarded to the highest bidder. Page 5

Blaze in New Forest

Hampshire firemen were tackling a massive blaze in the New Forest that had engulfed 90 acres of forest land

Cannabis seized

Customs officials arrested six men after seizing cannabis resin worth £7m during a routine check on two open-topped containers at Ipswich dock nine days ago.

Botham and Gower out

Cricketers Ian Botham and David Gower were left out of the England team to tour India and the West Indies, less than 24 hours after Gower lost the captaincy of England to Graham Gooch.

PO queues 'small'

Queueing times at Britain's post offices are significantly less than those at other high street outlets, according to a study by the Post Office Users National Council. Page 4

BUSINESS SUMMARY

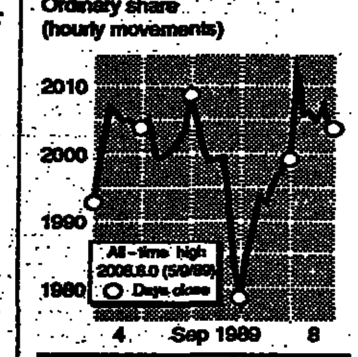
GEC/Siemens wins control of Plessey

General Electric Company and its West German partner Siemens announced that they controlled 62 per cent of Plessey and that their joint £2bn bid for the family-run electronics company had gone unconditional after a 10-month battle.

Siemens is paying about £1.25bn for its share of Plessey, which has a turnover of £1.7bn and a workforce of 26,000. GEC will pay the remaining £750m. Page 23; London Stock Exchange, Page 15

FT ORDINARY rounded off a confusing week with a successful trading session, closing 4.6 higher at 2,003.7 for a gain of 11 points on the week, having touched a low of 1,978.7 at Wednesday's close. London Stock Exchange, Page 15

FT Index



UK CONSTRUCTION output rose 15.9 per cent by value to a record £22.47bn during the first half of 1989. This was in spite of a 3 per cent fall in the value of private housebuilding output compared with the first half of 1988. Page 5; Lex, Page 22

KENWOOD, one of Britain's best-known small kitchen appliance makers, has been sold to its management by Thorn EMI. The deal involves a £54.6m cash payment. Page 8

RJR NABISCO, tobacco and food group, appears to have found a buyer for its Del Monte canned foods operation, believed to be the company's management. The deal is thought to be worth about $1.5bn (£984m). Page 10

DAIMLER-BENZ'S takeover of Messerschmitt-Boelkow-Blohm, aerospace group, was approved by the West German Government, creating a conglomerate which will be one of the world's leading aircraft and defence concerns and have a turnover of DM80bn (£26bn). Page 22; Lex, page 22

PORSCHE, West German luxury sports car company struggling to restore profitability after a US sales collapse, said its earnings trend had improved substantially in the financial year just ended. It gave no profit figures

KUONI, Swiss travel agency, dismissed Michael Crippa just over a year after he took over as chief executive. Page 10

VSEL, shipbuilding and armaments group, has offered a £1,000 bounty to any worker who brings in a new engineer to work in their nuclear submarine yard in Barrow.

WCRS GROUP, one of the UK's largest communications groups, said it is in talks with leading continental communications groups about a restructuring of its advertising and media buying. Page 8

OFFICIAL RECEIVER told investors in the Royco-Varia Group of Companies that they had been the victims of an incredibly clever scheme and stand to lose more than £17.5m. Page 4

MONOPOLIES and Mergers Commission is to look into the planned merger of two statutory water companies and a third controlled by a subsidiary of Compagnie Générale des Eaux, France's largest supplier. It is the first takeover to fall under the new Water Act. Page 4

Italian bank may receive $1bn recapitalisation

By **Alan Friedman** in Milan

AN emergency recapitalisation of as much as $1bn is being planned for Banca Nazionale del Lavoro (BNL), the leading Italian bank that has been shaken by a widening scandal over the extension of $1.7bn of unauthorised Iraqi export loans by its Atlanta, Georgia branch.

While the BNL recapitalisation plan was being discussed yesterday, Mr Guido Carli, the Italian Treasury Minister, named a new chairman and director-general of the Rome-based bank to replace Mr Nerio Nesi and Mr Giacomo Pedde who resigned from those positions on Thursday evening because of the Iraqi scandal.

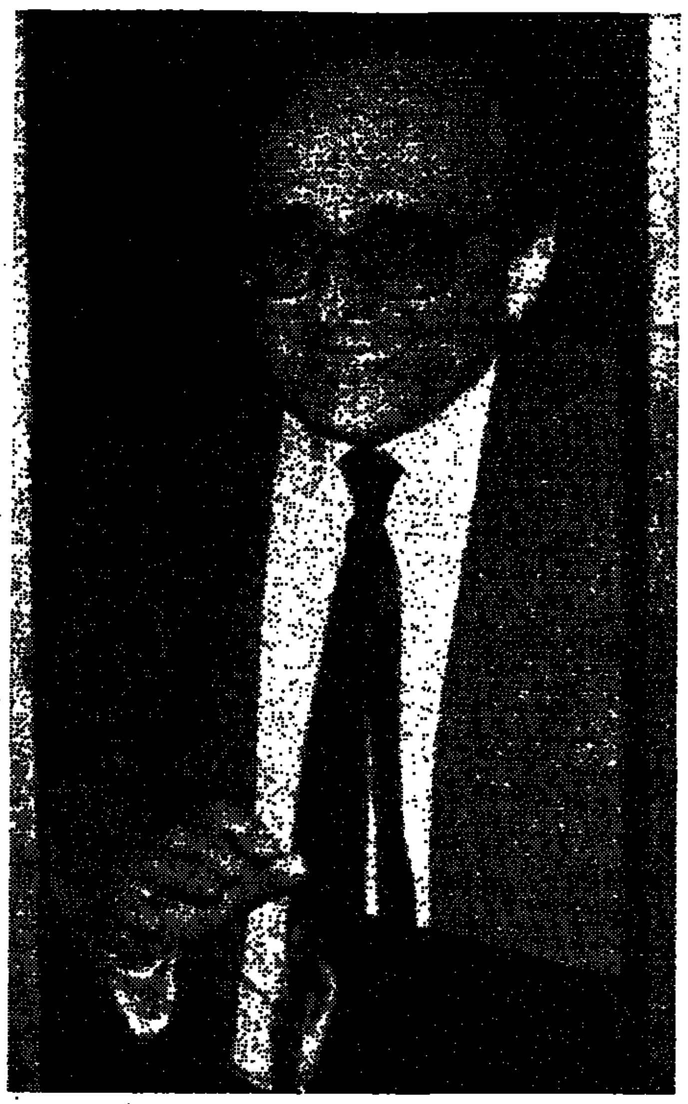
The new BNL chairman is 50-year-old Mr Giampiero Cantoni, currently the chairman of a Milan bank who like his predecessor – Mr Nesi – is a prominent member of the Socialist Party. The new director-general is 53-year-old Mr Paolo Savona, an economist who served in the late 1970s as director-general of Confindustria, the Italian industrialists' association, during Mr Carli's tenure as its president.

Mr Nesi, in his letter of resignation, issued a blistering attack on Mr Carli. Mr Nesi took Mr Carli to task for what he described as his lack of statements aimed at reassuring financial markets and for what Mr Nesi termed Carli's "inexplicable silence."

Mr Nesi said in an interview that he was convinced there is "a general plan to remove BNL from the public sector and I was an obstacle to that plan." He also accused Mr Carli, a former main board member of Fiat who has argued in favour of industry controlling banks, of wishing to privatise BNL by selling it not by means of a public share offer but via a direct sale to "a big industrial company."

Mr Nesi said that BNL has been seriously damaged by the Iraqi scandal "in terms of its external image and its internal morale."

Referring to reports that some of the unauthorised export credits issued by the bank's Atlanta branch were used for the purchase of defence equipment for Iraq, Mr Nesi added that the scandal "gets bigger every day" and that "I never imagined before that there were any defence shipments being finance by our Atlanta branch."



Exit Nerio Nesi. The president of Banca Nazionale del Lavoro leaves his Rome office after resigning

The Italian Treasury and the Bank of Italy were yesterday considering a plan that would see Istituto Mobiliare Italiano (IMI), the cash-rich Rome-based medium term corporate finance agency, subscribing between $700m and $1bn of subordinated loans that would be treated by the central bank as capital for supervisory purposes.

Under the plan the state-owned IMI might eventually convert its debentures into equity and thereby acquire a big stake in BNL. BNL is currently 74.5 per cent owned by the Italian Treasury.

BNL's present capital base amounts to L4,500bn ($3.2bn), a level which some bankers argued was inadequate even before the Iraqi scandal occurred. The Italian central bank and Treasury officials consider that given the increased loan exposure resulting from the Iraqi affair BNL will require between L1,000bn ($704m) and L1,500bn ($1.05bn) in order to meet the monetary authority's requirements on capital ratios.

IMI, a profitable medium term agency which also controls a major investment bank and Italy's largest distribution network of financial services products, announced recently that it has about L4,000bn of funds available for acquisitions and expansion.

Mr Rainer Masera, a former central bank official who is general manager of IMI, has begun holding discussions with Mr Savona about the nature of a capital injection by IMI. One option being considered might result in IMI eventually owning part of the Treasury's current 74.5 per cent BNL share.

Continued on Page 22
Long and winding trail, Page 6

Prestwick may have freight deal boost

By **Kevin Brown**, Transport Correspondent

PRESTWICK, the under-used Scottish airport owned by BAA, is being considered as the site of a freight handling centre by Federal Express, one of the world's biggest airlines.

The project could help to guarantee the future of Prestwick as an international airport, in spite of continuing pressure on the Government to allow international passenger traffic to transfer to Glasgow and Edinburgh.

Mr Frederick Smith, chairman of Federal Express, which is based in Memphis, Tennessee, discussed the project in London yesterday with Mr Cecil Parkinson, the UK Transport Secretary, after a visit to Prestwick earlier this week.

Three other sites are being considered by the US airline. These are the airports at Brussels, which has several similar facilities, and at Shannon, in the Irish Republic.

The development planned by FedEx would be its main European hub for heavy freight services between North America and Europe. The hub would initially handle up to 10 wide-bodied flights a day, and would require significant ground facilities to handle cargo transfers between aircraft.

BAA confirmed that it had discussed the future of Prestwick with FedEx but would only say that the project would be "very good for the airport."

Prestwick is the only Scottish airport allowed to handle international passenger flights. However, there has been a question mark over its future for several years because of the reluctance of airlines to use it.

The airport has one of the longest runways in the UK, good ground handling facilities, and plenty of space for expansion. But it is awkwardly situated near Ayr, on the west coast of Scotland, some distance from the main centres of population.

BAA asked for a review of Scottish Airports policy in May, as part of a campaign to be allowed to operate international flights from its airports at Glasgow and Edinburgh.

Mr Paul Channon, the former Transport Secretary, refused to reconsider the issue, apparently because any reduction in activity at Prestwick could have cause Mr George Younger, the local MP, to lose his seat at the general election. This obstacle disappeared in July when Mr Younger retire from politics.

Weekend FT

THE FACELESS ONES

Who are Europe's bureaucrats and what do they do? David Buchan reports

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Finance

Stand by for a flood of publicity on the water privatisation issue, says Clare Pearson

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Diversions

Is English Heritage failing to live up to expectations? Yes, thinks a leading architectural historian

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Books

Anthony Curtis on the latest instalment of Michael Holroyd's biography of Shaw

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Arts

Nigel Andrews hails a British masterpiece at the Venice Film Festival

William Packer on the Andy Warhol retrospective in London

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UK to tighten scrutiny of cited companies' exports

By **David White**, Defence Correspondent

UK AUTHORITIES are expected to tighten their scrutiny of exports from British companies cited in the Banca Nazionale del Lavoro Iraqi credit scandal in the light of concern about Iraq's missile production capability, writes David White.

Matrix-Churchill of Coventry, one of the companies which received export credits through BNL's Atlanta branch, has said it received licences for all the machinery it sold to Iraq.

Only certain kinds of sophisticated numerically-controlled machine tool require export licences.

In the UK, Matrix-Churchill equipment is used in guided missile production, among other applications.

British Aerospace says it employs a Matrix-Churchill numerically-controlled precision milling machine to produce parts at its guided weapons plant at Lostock near Bolton.

However, the machine-tool company has said that only a small part of its sales to Iraq were for producing defence equipment and that this was for conventional items such as shells and guns.

Machine tools are considered a particularly "hot" item, next to computers, for their potential military importance.

The categories requiring export licences are defined in item IL1091 of the Government's export guidelines.

The list of controlled items includes technologies vital for production of ballistic missiles. Under the Missile Technology Control Regime, an informal agreement set up two years ago, Britain and six other countries set out to curb access to technologies that

Continued on Page 22

Campeau says it will sell Bloomingdale's

By **David Owen** in Toronto and **Karen Zagor** in New York

THE Bloomingdale's department store chain is to be sold by Campeau Corporation, the highly-leveraged Canadian property and retailing group.

The move is part of a financial restructuring plan designed to cut the company's debt burden.

The plan will be presented to the Campeau board on Tuesday. First Boston has been retained to look for potential buyers. Campeau acquired Bloomingdale's only 16 months ago with its US$6.6bn (£4.3bn) purchase of Federated Department Stores.

The deal, finalised less than 18 months after Campeau paid US$3.6bn for Allied Stores, another US department store chain, plunged the group into debt and led to speculation that it might encounter problems if interest rates stayed high or retail sales fell.

Campeau said the plan would include various financial arrangements under discussion with the Reichmann brothers' Olympia & York Developments (O&Y), which already has a significant minority stake in the company. These include a possible US$250m convertible secured loan to meet "liquidity needs" at Federated and Allied, projected to begin next week.

The company warned, however, that there can be no assurance that any agreement with O&Y will be reached, or that the sale of Bloomingdale's can be completed. It said Bloomingdale's was identified as the most appropriate asset for sale.

Mr Marvin Traub, Bloomingdale's chairman and chief executive for the past 11 years, has expressed an interest in participating in a management group buy-out of the division, which operates 17 US stores and had aggregate sales in 1988 of $1.19bn. Other possible buyers are said to include May Department Stores, Dillard Department Stores and The Limited.

Analysts, who put the likely price tag for the division at $1.1bn-$1.5bn, expressed surprise and disappointment at the news.

Spicer and Horwath 'may merge'

By **David Waller**

SPICER & Oppenheim and Horwath & Horwath yesterday became the latest accountancy firms to jump on the merger bandwagon.

They confirmed industry rumours that they have entered into preliminary merger negotiations which, if successful, would create a firm with annual fee income of $1bn (£6.5m).

The two firms are the first of the second-tier accountancy businesses – those with an international practice, but still substantially smaller than the "Big Eight" – to announce a move towards a link-up.

The move comes at the end of a summer which has seen a frenetic bout of merger activity among the bigger firms.

H&H is the world's 11th largest firm, with annual fee income of $650m. S&O is the eighth largest with fees of $350m.

London Stocks, Page 14, Lex, Page 22

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.525	**New York lunchtime:** DM1.9915	**FT-SE 100:** 2,423.9 (+8)
London:	FFr6.7085	**FT Ordinary:** 2,003.7 (+4.6)
$1.5485 (1.546)	SFr1.715	**FT-A All-Share:** 1,225.79 (+0.3%)
DM3.055 (3.0675)	Y146.92	**FT-A long gilt yield index high coupon:** 9.95 (9.49)
FFr10.3275 (10.335)	**London:**	**New York lunchtime:**
SFr2.645 (2.6475)	DM1.98 (1.985)	DJ Ind. Av. 2,699.85 (-7.03)
Y226.5 (227.0)	FFr6.7085 (6.685)	**Tokyo:** Nikkei 34,115.81 (-36.75)
£ index 90.9 (same)	SFr1.7085 (1.7125)	**LONDON MONEY**
GOLD	Y146.25 (146.9)	3-mo interbank close: $13\frac{7}{32}$% ($14\frac{1}{32}$)
New York: Comex Dec $364.8	$ index 72.3 (72.6)	
London: $360 ($359\frac{1}{2}$)	Tokyo close: 146.62	
N SEA OIL (Argus)	**US LUNCHTIME RATES**	
Brent 15-day Sep $17.9 (17.87)	Fed Funds $8\frac{13}{16}$%	
Chief price changes yesterday: Page 22	3-mo Treasury Bills: yield: 8%	
	Long Bond: $100\frac{1}{2}$ yield: 8.07%	

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr50; Canada C$1.00; Cyprus C£0.80; Denmark DKr10.00; Egypt E£3.25; Finland Fmk7.00; France FFr7.00; Germany DM2.30; Greece Dr180; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland I£0.60; Israel NS3.50; Italy L1700; Japan Y600; Jordan Fils1.000; Kuwait Fils.500; Lebanon $L125; Luxembourg LFr50; Malaysia Rin4.25; Malta 40c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc140; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L1200; UAE Dh7.00; USA $1.00.

OVERSEAS NEWS

Japanese set to get tough on refugees

By Robert Thomson in Tokyo

JAPAN, Asia's last open door to Indochinese refugees, is expected to announce a tough new selection process next week which will result in the deportation of Chinese refugees and the detention of Vietnamese classified as economic refugees.

Security has been tightened in the country's refugee camps before the announcement, which the government fears could prompt a violent reaction from Vietnamese likely to be detained and encourage Chinese to try to escape from custody.

Government officials said China has indicated that it will accept the return of Chinese nationals, who have arrived in increasing numbers in recent weeks. But refugee officials say Peking has suggested that returnees will be charged, and so they fear that the deported Chinese will be imprisoned.

Until now, Japan has accepted all Vietnamese without question, but a surge in numbers of boat people – just under 2,500 have landed so far this year compared to 219 for all of 1988 – has caused the government to change its mind.

It is expected that the new policies will be formally approved at government meetings on Monday and Tuesday.

The government wants to discourage Vietnamese and Chinese from attempting to land in Japan, and hopes that the promise of detention will stem the flow.

However, a government official said that it was unlikely the Vietnamese classed as economic refugees would be forcibly repatriated because of difficulties in getting Hanoi's co-operation, and that after a period of detention, they will probably be allowed to stay.

The refugee issue has become linked to Japan's labour shortage and a debate over whether foreign workers should be invited to fill the ever-widening gap.

A government committee was established yesterday to study the viability of using foreign workers, and the Ministry of Construction, overseeing an industry particularly hit by a labour shortage, has indicated that it would like refugees to be accepted as technical trainees.

Japan had decided to accept 10,000 Indochinese refugees without question, and believed, on the basis of trends in the mid-1980s, that the policy would not need to be reviewed until late in the 1990s.

At the present rate, the quota will be filled next year, and in the public debate on the subject, sentiment has turned against accepting economic refugees.

The sudden appearance of Chinese among the refugee arrivals has been an embarrassment, as Japan does not want to harm its relationship with Peking, and does not yet know how to handle Chinese who claim they fled for political reasons in the wake of the crushing of the pro-democracy movement.

About 16 Chinese nationals have escaped from custody in recent days, apparently fearing that they would be deported. The Japanese government has passed on information about dozens of other Chinese, some of whom have posed as Vietnamese, and some of whom are ethnic Chinese who fled Vietnam in the late 1970s and resettled in China.

A group of 149 boat people awaits permission this week to land from a 97-foot boat anchored off the western Japanese port of Kobe. This the 17th such vessel to arrive in Japanese waters was being refused entry by the city authorities

HK brain drain expected to rise by 30% next year

By John Elliott in Hong Kong

HONG KONG'S brain drain of people seeking the security of foreign passports and new ways of life abroad, before the colony reverts to Chinese sovereignty in 1997, is expected to rise by about 30 per cent from 42,000 this year to 55,000 next year.

This is a direct result of the recent events in China which seriously affected the confidence of Hong Kong people in the territory's freedom and prosperity after 1997. Thousands who had not previously planned to leave have approached local foreign consulates about possible emigration.

Pressure has also increased on the UK to provide more than 3m people with the security of full British passports, which would boost confidence and could stem the brain drain. The UK government is expected to announce in the next few weeks how many passports it is prepared to issue, but the number will be far less than 3m.

The outflow of people will have a serious impact on Hong Kong's businesses, which have managed so far to cope with the loss of mostly younger professional and skilled workers.

New estimates released yesterday by the Hong Kong Government show that last year's total of 45,800 is expected to drop to a previously forecast level of 42,000 this year because there has not been enough time since the Peking crisis for people to organise residence abroad.

The total is then expected to rise to 55,000 in 1990. In the early and mid-1980s, the annual figure hovered around 20,000. About 90 per cent of the total go to Canada, Australia and the US. This proportion is not expected to change rapidly, despite recruiting efforts made recently by other countries, notably Singapore.

Mr Michael Rowse, the official in charge of preparing the statistics, said yesterday that a new "equilibrium of around 55,000-60,000" was then likely to be established.

But the total would depend on a number of factors, including China's policies towards Hong Kong and the immigration policies of host countries. The figure could be considerably larger if confidence slumps further.

About 24 per cent of the total emigrants are classified as professional, technical, administrative and managerial workers, who only make up 5.5 per cent of the total population.

The government does not have any firm figures for the number of people who return to Hong Kong but there are various estimates ranging between 10,00 and 20,000 a year.

The government hopes that a substantial number might start returning by 1991-92, when those who have left recently will have had time to establish rights of abode abroad and been granted full foreign passports. But that will depend on the mood in Hong Kong at the time.

E Germans confuse Budapest

By Judy Dempsey in Vienna

CONFUSION about when the thousands of East German refugees in Hungary will be transported to the West continued yesterday, after unconfirmed reports that the Hungarian authorities will allow them to leave next week.

The West German Foreign Minister, Mr Hans-Dietrich Genscher, said Hungary was expected to allow the thousands of East Germans waiting there in camps to leave for West Germany "in the next few days". He said the decision to let them out was a "sovereign" one by Hungary and not based on any agreement between Bonn and Budapest. Mr Hans Klein, West German Government spokesman, denied that Bonn had made any financial arrangement with Budapest to smooth the way. More than 6,000 East Germans are waiting in three camps in Hungary run by the International Red Cross and Maltese Cross. The Hungarian authorities had been reluctant to let them leave for the West until Bonn and East Berlin had agreed on ways to resolve the issue.

Many had come to Hungary in the belief that they could slip across the border into neighbouring Austria by taking advantage of the more relaxed attitude at border crossings, or escape by obtaining West German passports or seeking refugee status.

This year, Hungary became the first eastern European country to sign the UN Convention on Refugees. Yesterday, however, as though to warn would-be escapees, a Hungarian official yesterday said: "Hungary cannot become a transit country for thousands of eastern European refugees". The official added that the country also had to consider its delicate bilateral relations with East Germany.

The delay in resolving the issue has frustrated many East Germans, some of whom have illegally crossed the border into neighbouring Austria. More than 100 crossed in the early hours of yesterday morning, most of them then registering with the West German embassy in Vienna which gives them papers for travel to West Germany.

Georgian massacre general ousted

By Quentin Peel in Moscow

MOSCOW has ousted Col-Gen Igor Rodionov, military commander of the Trans-Caucasus, who is blamed over the massacre of 19 Georgian nationalist demonstrators in Tbilisi last April.

Conformation of this big concession to nationalist sentiment came yesterday in reports of a visit to his native Georgia by Mr Eduard Shevardnadze, Soviet Foreign Minister and one of President Mikhail Gorbachev's closest allies in the ruling Politburo.

Mr Shevardnadze indicated that Mr Gorbachev is still committed to accommodation and appeasement of the nationalist movements – in contrast to the tone of confrontation adopted by Soviet Communist Party leaders while he has been on holiday.

The counter-attack of the party reformers against conservatives, who have dominated the official media throughout Mr Gorbachev's absence in August, was also marked by revelations in the weekly newspaper Moscow News, concerning responsibility for the Tbilisi massacre.

It blamed Mr Viktor Chebrikov, a leading Politburo conservative, for having forwarded requests for troop reinforcements in Georgia, with his apparent blessing.

It identified Gen Dmitri Yazov, Minister of Defence, as the man who put General Rodionov in absolute control of the operation – in apparent defiance of the constitution.

The replacement of Gen. Rodionov is important politically, because he won a standing ovation from party conservatives last May when he defended his role in the Congress of People's Deputies. Hostility of Georgian nationalists had made his role in the region increasingly untenable.

The Trans-Caucasus, including Georgia, is now probably the most sensitive and potentially explosive military district in the country.

Mr Shevardnadze's visit and his address to Georgian Communist Party leaders were given prominence both on state TV and in Pravda, the leading party newspaper.

In it, he cited Mr Gorbachev's support for a policy of appeasement of the nationalist groups. He praised the new Georgian leadership for conducting a "broad constructive dialogue with the public".

He warned against excessive enthusiasm for outright independence – but only within the context of saying that real economic independence was an essential pre-requisite to "state political sovereignty".

The entire tenor of his address contrasted with recent official pronouncements on nationalist movements. These have appeared to hint at military intervention in the Baltic republics if the local Popular Fronts do not moderate their demands.

The split in the party leadership over how to tackle the nationalist revival is likely to come to a head at the plenary meeting of the Central Committee, now expected to be held in Moscow on September 19 and 20.

Spanish utility in Mexican thermal deal

By Tom Burns in Madrid

ENDESA, the Spanish state-controlled electrical utility which was partially privatised last year and listed on the New York Stock Exchange, has signed an agreement to invest $1bn in the construction of two thermal plants in Mexico, company sources said yesterday.

The investment is linked to a $4bn soft loan by Spain to Mexico, agreed during a to Madrid by President Carlos Salinas de Gortari of Mexico in July. In co-operation with Mexico's Comisión Federal de Electricidad, Endesa seeks to spend some $630m on the Lázaro Cárdenas plant in the state of Michoacan and a further $450m on Carboeléctrica de Sabinas, Coahuila state.

Final approval of the funding is expected at the end of the year, when King Juan Carlos of Spain is to make a state visit to Mexico, and construction could start next year.

Endesa's Mexican venture mirrors the company's negotiations to invest in capital goods equipment in Argentina and further highlights its growing involvement in Latin America on the heels of Spanish government aid to the region.

Plans to build thermal plants in Argentina and to invest in electricity distribution form part of a big loan package agreed by Mr Felipe Gonzalez, Spain's Prime Minister, and the then President Raúl Alfonsín of Argentina two years ago, and the object of talks this week between the premier and Mr Carlos Menem, the new president.

Lucy Conger adds from Mexico City: President Carlos Salinas de Gortari of Mexico said this week "the doors are open" for private and foreign investment in the telephone company, Teléfonos de Mexico, which is 51 per cent state-owned.

The government seeks private investment in satellite ground stations and projects that would upgrade and expand the 5m-line system.

Foreign investment in telecommunications will be limited to a 49 per cent share under recently liberalised foreign investment regulations.

Teléfonos de Mexico officials in New York late this week were reported to be meeting US government officials and businessmen to discuss selling part of the company.

Argentine price inflation rate drops sharply

By Gary Mead in Buenos Aires

ARGENTINA'S runaway retail price inflation – almost 200 per cent in July – has dropped sharply, to 37.9 per cent for August, according to the latest government figures.

Inflation has been slowed after a price control agreement between government and large businesses. That agreement is due to expire or be renewed at the end of September.

According to Mr Orlando Ferreres, Economic Co-ordination Secretary, this month will register inflation of about 6 per cent.

Chilean opposition leader starts European tour

By Barbara Durr in Santiago

CHILE'S leading presidential candidate, Mr Patricio Aylwin, will begin a 12-day, five country European tour tomorrow.

Mr Aylwin, the Christian Democrat who heads a 17-party opposition alliance for the presidential election on December 14, will be seeking European economic co-operation for the government he hopes to lead as successor to President Augusto Pinochet from March.

The candidate is to meet Mr Giulio Andreotti, Prime Minister of Italy, President François Mitterand of France, Mr Helmut Kohl, West German Chancellor, and Mr Felipe Gonzalez, Spanish Prime Minister.

Mr Aylwin also intends to meet private business leaders and bankers to express his wish for greater foreign investment and finance for Chile. His principal economic advisor, Mr Alejandro Foxley, widely expected to become finance minister, will be with him.

Back in Santiago, 128 candidates registered by the deadline on Thursday for senatorial races, also to be held on December 14. Only 38 members of the new Senate are to be directly elected. Nine others will be appointed by the outgoing military regime.

Greek workers granted 9.2% pay increase

By Kerin Hope in Athens

THE GREEK Economy Minister Mr Giorgos Souflias yesterday announced index-linked wage rises across the board of up to 9.2 per cent, to cover the last four months of 1989.

This was the biggest single increment granted since index-linkage was introduced by the former Socialist government seven years ago, and it brought overall wage increases since January to 14.2 per cent.

Under a system of anticipated inflation, the Socialists paid increases of 4 per cent in January and 1 per cent in May.

Berlin asylum seekers agree to desist

By Leslie Colitt in Berlin

ALL 116 East German asylum seekers who have spent a month in West Germany's diplomatic mission in East Berlin, seeking to get to the West, agreed to return home yesterday.

They had been assured by the East German lawyer, Mr Wolfgang Vogel, that they would receive "full legal care" if they applied to emigrate. This was a face-saving gesture for East Germany, which had refused to accept a formula giving asylum-seekers "favourable consideration" of their applications to emigrate. That had led to a wave of East Germans entering the West German missions in East Berlin and Prague.

Mr Vogel, a specialist in East-West humanitarian cases and spy swaps, assured them 116 they would not face legal prosecution and could return to their jobs. His promise was made in the presence of the head of the West German Mission and a senior official from Bonn's Ministry of Inter-German Relations.

This solution was likely to be used to end the deadlock in Prague, where nearly 400 East Germans waited in the West German embassy to be allowed to the West.

Monetary union storms likely

By David Buchan and William Dawkins in Brussels

EUROPEAN finance ministers meet today to discuss the first steps they should take on a ladder that may lead to economic and monetary union in the European Community.

The meeting, to be held at Antibes in the south of France, is likely to provoke political storm clouds as the French Government uses its EC presidency to try to speed preparation for a special conference to set new monetary institutions.

The meeting is the first time for ministers, as agreed at the Madrid summit in June, to make a move towards greater economic and monetary co-operation by next July.

In Madrid, heads of government agreed to lay the groundwork for summoning an inter-governmental conference (IGC) that might write provisions for a European central banking system into the EC treaties, as recommended in the recent Delors Report. The rub is that no precise timing for an IGC was agreed at Madrid – only that it would not meet until the first-stage move got under way next summer.

Mr Pierre Bérégovoy, French Finance Minister, who will chair today's informal session, has said he wants to see an IGC summoned as soon as possible.

He hoped government heads would decide to do so by the end of the year. Mr Nigel Lawson, UK Chancellor of the Exchequer, can be expected to speak out today if the meeting focuses on the IGC plan.

The British Treasury has been weighing ideas of competition between currencies – with the strongest prevailing – or of tying currencies to a gold or commodity standard. But the Treasury said yesterday Mr Lawson would have "no fully worked-out proposals" to present today.

Today's discussions should be smoother if they focus on clearing away the legislative débris left by past Community attempts at economic policy co-ordination. This involves making less binding, but more realistic, a commitment made in 1974, when EC states promised to co-ordinate a Keynesian demand-management strategy.

The hope is that a less constraining commitment to concert economic policies will also be more respected by finance ministers.

Perestroika finally reaches the outpost of Sakhalin

Frontiersmen's outrage at abuses has thrown up a local Lech Walesa, Stefan Wagstyl reports

PEOPLE on Sakhalin Island, one of the most distant outposts of the Soviet Union, once thought that perestroika might never reach them. The island is so remote that the tsars used it as a place of exile.

In winter it is virtually icebound; in summer it mostly rains. When the Russian author Anton Chekhov visited the island, he wrote: "This seems to be the end of the world and there is nowhere else left to go". Life is a struggle with the elements. People work mainly in fishing, forestry and, in the north, oil and gas production.

The islanders endure the harshness for the pay which averages 40 per cent more than in European Russia. These are frontiersmen, living 8,000kms from the political ferment of Moscow.

But since last year, the island has been shaken by events which prompted President Mikhail Gorbachev to proclaim: "Finally, perestroika has arrived in Sakhalin". The island caught Mr Gorbachev's attention after hundreds of demonstrators protested against alleged abuses of power by the region's Communist Party chief, who was accused of manipulating a party election and favouring his daughter in the allocation of a new flat.

Local party officials tried to rally around him, but he was removed on Moscow's orders and flown with his family back to the capital.

Sensing victory, demonstrators successfully demanded the halting of the construction in Yuzhno Sakhalinsk, the island's main town, of a new headquarters for the regional council. Three *dachas* reserved for party officials were turned over to public use – one as an art school, one for teachers, and one for a tourist hotel.

Public outrage spawned an organisation, the Sakhalin Popular Movement, led by Mr Sergei Mikhailov, a 38-year-old quarry worker, seen as a local Lech Walesa. Mr Mikhailov is a Communist party member. But many islanders say he is a man they can trust.

The Popular Movement's aim is to support the national programme for democratic reform put forward by Dr Andrei Sakharov, the dissident scientist, and Mr Boris Yeltsin, the radical former Moscow party chief.

This year, Mr Mikhailov wanted to stand in the elections to the Congress of People's Deputies, the new national legislature, but his nomination was rejected on a legal technicality.

So popular support switched to Mr Vitali Guli, a local journalist and supporter of Dr Sakharov and Mr Yeltsin. A smear campaign mounted by the local party against Mr Guli backfired. He won 67 per cent of the vote. Mr Viktor Bondarchuk, the new Communist Party chief, collected 27 per cent.

Islanders are looking forward to local elections to be held early next year throughout the Soviet Union. "The apparatchiks appointed in the Brezhnev era will lose because people believe the apparatus is opposed to Gorbachev." says Mr Valeri Pereslavtsev, a museum curator who supports the popular movement.

Mr Pereslavtsev has reason to feel anger towards the authorities – in the mid-1970s he was dismissed from his job as a TV journalist on KGB orders for supporting Dr Sakharov.

Islanders believe they share in a movement which is transforming the whole Soviet Union. They feed off the newspaper articles and TV broadcasts from Moscow which have led the way in opening discussion of taboo subjects.

Mrs Margarita Tretyakova, a history teacher, says: "Real teachers always told the children the truth. Now everyone can". But while people are relishing their new-found freedom of speech and political action, many doubt if Mr Gorbachev's reforms will change the reality of everyday life in Sakhalin.

Descended from settlers from many corners of the Soviet Union, the 700,000 people in the region lack the national identity which has fired more serious protests in the Baltic and Asian republics. Estimated membership of the Sakhalin Popular Movement has fallen from a peak of 400 to 250. Aside from Mr Mikhailov, its leaders are almost unknown.

But local bureacrats are in no hurry to become more responsive to people's demands. Their sense of authority is enhanced by the military bases and KGB border-guard posts dotted around the island.

Mr Ivan Kuropatko, executive chairman of the regional government, talks warmly but vaguely about the benefits of perestroika. But on one key local issue – the construction of a controversial new council building – he bluntly denies there is anything to discuss. Mr Kuropatko says the building will eventually be finished and used for offices as originally intended. "There is no conflict."

Moscow has long cherished ambitions of opening the Soviet Far East with huge investment. The long-term plans for the area, which includes Sakhalin, call for a 150 per cent increase in income by the year 2000. The reality is that living standards have fallen in the past three years.

Economic perestroika has brought a few benefits to Sakhalin, including the establishement of some 300 co-operatives on the island. The employees are able to earn 50 per cent more than working for the state – and to re-invest their profits.

Many of the co-operatives are run by some of the island's 37,000 Koreans, who are regarded by Russians as having a special talent for business.

Sakhalin, virtually closed to foreigners until last year, is now actively wooing overseas partners. Japanese, South Korean and US businessmen have all visited the island. Six joint ventures have been signed since 1988.

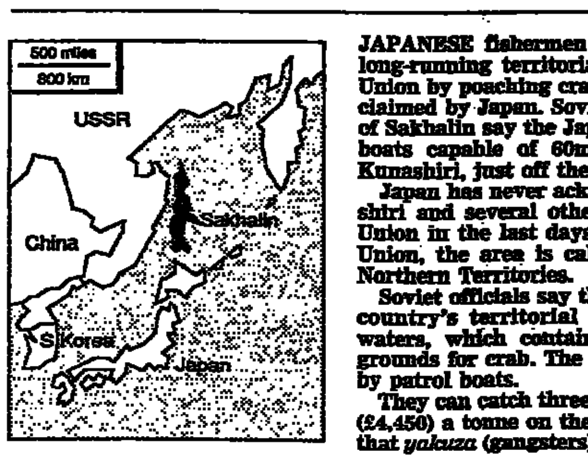
But this has, as yet, barely made an impression on the overall economy. The largest joint venture is a fish processing plant worth $26m. Dreams of using foreign capital in a multi-billion-dollar oil and gas development are still dreams. Foreign businessmen insist Sakhalin lacks the basic infrastructure needed to attract capital.

Without capital, perestroika can do little to improve people's everyday lives. While wages are relatively high and the shops better-stocked than in other parts of the Soviet Far East, islanders still find themselves queueing for necessities.

Some islanders still live in wooden houses built before the Communist Revolution. Most homes are in three-to-six-storey concrete blocks, with badly-fitting doors and flaking paintwork. There are not enough flats, so young couples often live with their parents long after their own children are born. In summer, there is no hot water.

Working conditions are tough. Workers have protested at the pollution caused by the island's pre-war pulp mills, which harm valuable salmon grounds.

The wave of mining industry strikes which hit the Soviet Union this summer included the coal mines of Dolinsk, on Sakhalin. Several hundred miners stopped work in support of demands for a pay increase. They accepted an extra day's holiday a month instead.



JAPANESE fishermen in high-speed launches are exploiting a long-running territorial dispute between Japan and the Soviet Union by poaching crabs from waters controlled by Moscow and claimed by Japan. Soviet fishing industry officials on the island of Sakhalin say the Japanese make about 1,000 raids a month in boats capable of 60mph. They fish off the Soviet island of Kunashiri, just off the northern Japanese island of Hokkaido.

Japan has never acknowledged Soviet sovereignty over Kunashiri and several other nearby islands captured by the Soviet Union in the last days of the Second World War. In the Soviet Union, the area is called the Southern Kuriles; in Japan, the Northern Territories.

Soviet officials say that Japanese fishermen are exploiting the country's territorial claims in order to raid the Kunashiri waters, which contain some of the world's richest breeding grounds for crab. The Japanese boats are too fast to be stopped by patrol boats.

They can catch three or four tonnes of crab a time, worth Y1m (£4,450) a tonne on the Japanese market. The Soviet side claims that *yakuza* (gangsters) are behind the operation.

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Long and winding Iraqi money trail leading from BNL

Alan Friedman reports from Milan on the logistical nightmare of tracking the funds in Italy's latest banking scandal

AT THE END of last December, the total amount of export credits that had been granted by the Atlanta, Georgia branch of Italy's Banca Nazionale del Lavoro (BNL) and counter-guaranteed by the central bank of Iraq came to less than $300m.

During the first six months of this year the amount grew nearly fourfold.

By July the BNL Atlanta branch had extended a total of $1.02bn of Iraqi central bank counter-guaranteed unauthorised export loans to US and European companies. This $1.02bn does not include the additional $700m of credits guaranteed by the Commodity Credit Corporation of the US, nor does it include a further $920m of commitments which have not yet been disbursed.

Mr Chris Drogoul, the 36-year-old Atlanta branch manager who is now under criminal investigation by magistrates in Rome and the US Attorney's office in Atlanta, must have been a busy man.

Aside from Mr Drogoul and his inner circle of handpicked deputies in Atlanta there appears to have been equally frenetic activity on the part of a number of Iraqi military procurement agents and central bank representatives.

Based on fresh details obtained by the Financial Times concerning the BNL money trail between Atlanta, New York, various European financial centres and Baghdad, the colourful description given yesterday by one Italian newspaper to the role of BNL's Atlanta branch may not be far off the mark. The Atlanta branch, said a headline in yesterday's *Corriere della Sera*, was transformed into a sort of clandestine Baghdad-directed banking operation.

The story of how BNL's Atlanta branch raised interbank funds without authorisation from its New York or Rome head offices and of how it handed out a total of $1.7bn (this figure represents the total $2.6bn of commitments minus the portion not yet paid) when its individual client lending limit was a mere $500,000, is the financial equivalent of a Robert Ludlum thriller.

The sheer sophistication of the Iraqi money trail, as the weary top executives of BNL in Rome have admitted in recent weeks, has made tracking the fund movements a logistical nightmare. Among the fresh details which have come to light are the following:

● The funds for the Iraqi export credits were raised by BNL's Atlanta branch on the interbank money markets in tranches that averaged between $20m and $30m each. In all the interbank lines were drawn from 40 to 50 US, European and Japanese banks.

● The average duration of the interbank lines went from 90 to 180 days. This created a problem of "mismatching" because the average maturity of the $1.7bn of Atlanta loans disbursed was five years, and some credits had maturities of up to seven years.

● BNL has acted since the beginning of August to restructure the interbank portfolio, converting the lines to maturities of one to two years. The problem of mismatching, while still present, has been mitigated.

● The average commission paid on the Iraqi export credits was a tiny 0.20 per cent per loan. This compares with an average commission on high-risk lending for exports to Iraq of as much as 15 per cent. BNL, as well as US and Italian investigators, believe that someone, somewhere may have pocketed the difference.

● Thus far the Iraqi central bank, which counter-guaranteed $1.02bn of Atlanta credits, has met interest payments. The next debt servicing charges fall due at the end of this month.

Some $920m of the total Atlanta commitments of $2.6bn has not been paid out and BNL is studying the situation to see whether it will be obliged to go ahead with the carrying out of these $920m of additional letters of credit.

Of the outstanding $1.72bn of credits, some $720m is covered by guarantees from the US Commodity Credit Corporation. And this leaves BNL with $1.02bn of loans whose only backing is from the Iraqis.

It is from this last portion of $1.02bn that Atlanta credits (totalling at least $100m) for British, American and Italian companies suspected of involvement in trade with Iraq in defence equipment and missile-related technology are to be found.

The $1.02bn is, however, divided into two categories. The first category consists of around $400m of straightforward (although unauthorised) letters of credit for companies exporting to Iraq. But the second tranche of around $620m consists of a strange series of payments that functioned in the following manner:

● The Atlanta branch of BNL would open lines of credit on behalf of the Iraqi central bank in connection with specific export orders. The funds would then be transferred from Atlanta to the central bank in Baghdad, which would pass on the money to third party banks in Europe and the US.

Among the third party banks were dozens of leading banks around the world. These banks would be instructed by Baghdad to open credit lines in favour of exporting companies.

For exporters of legitimate industrial equipment the credit lines would appear at a bank in their country and the involvement of BNL's Atlanta branch might never even be known.

In addition the use of third party banks is believed to have been at least one method employed by the Atlanta branch of BNL to avoid detection by the bank's own internal auditors.

The $620m of loans which travelled from Atlanta to Baghdad and then on to the US and Europe are considered by investigators and bankers involved in the BNL affair to be by far the most difficult to trace.

A number of the financial transactions do not even make any reference to the type of product being exported. For the time being what is known is that the money trail is long, winding and amazingly intricate.

Even after five weeks of investigations by the Bank of Italy, the Federal Reserve, the FBI and US and Italian judicial authorities there appears to be a lot more still to be discovered.

Giampero Cantoni, appointed yesterday as BNL chairman

Baghdad in drive for armaments factories

By **Victor Mallet** in Baghdad

DURING the eight-year Gulf war against Iran, and following last year's ceasefire, Iraq has intensified its efforts to establish its own armaments factories with the help of foreign companies.

At the forefront of these efforts has been the Ministry of Industry and Military Production. It was established in its present form – combining civilian and military facilities – in July last year under the control of Mr Hussein Kamel, one of the sons-in-law of President Saddam Hussein.

Mr Kamel previously headed the powerful Military Industries Commission (MIC), which has been incorporated into the new umbrella ministry. He was not available for interview this week.

Iraq's foreign exchange spending on the military is estimated at some $5bn in 1989, roughly equivalent to the value of non-food civilian imports, although Iraqi officials hope to export their military products and believe that Baghdad saves the foreign exchange by concentrating on domestic production.

The MIC is said to assemble Soviet tanks and make artillery and ammunition, as well as products with civilian applications such as trucks and buses. It is also thought to be responsible for increasing the range of Soviet Scud-B missiles, which were displayed as local products with ranges of up to 650km at an arms fair in Iraq last year.

Foreign technical assistance is crucial for Iraq's drive to move beyond small-scale manufacturing towards its own high technology defence industry. More than 20 French companies and about 15 from Britain attended another military production fair in Baghdad in April this year to inspect Iraqi products.

Foreign companies have supplied and helped to maintain several secret plans around Iraq, including the complex south of Baghdad where an explosion was said to have killed hundreds of workers last month.

Matrix-Churchill 'bought out through network of companies'

By **Richard Donkin**

Matrix-Churchill, the Coventry-based machine tool company named in the BNL scandal was bought out two years ago with finance channelled through a network of companies established by senior officials in Iraqi state-owned industries.

One of the officials, Mr Fadel Jawad Kadhum, is a director of Matrix-Churchill and also has a directorship in the Technology Development Group (TDG), an Iraqi-owned compnay involved in the purchase of the Lear Fan plant near Belfast. Mr Kadhum was said by Whitehall officials yesterday to be a "high ranking official" in Iraqi government industries.

Mr Kadhum, who carried out the legal work for the purchase of Matrix-Churchill in 1987 is believed to be currently in Baghdad. Last week in London he told the Financial Times: "We (the Iraqi directors) have nothing to do with the Government of Iraq or the authorities in Iraq, but we do have contacts."

The Lear Fan plant was bought in May by Canira, in which TDG has 50 per cent stake, but a Northern Ireland Industrial Development Board grant was refused on Foreign Office advice.

Officials said the decision was based on fears that composite materials from the plant could be used in missile development.

TDG is a part owner of Matrix-Churchill. While listed in company accounts as possessing a single share in the company, it has a substantial shareholding in TMG Engineering, the main holding company of Matrix-Churchill, which also has Mr Kadhum on its board.

Matrix-Churchill confirmed yesterday it had established an irrevocable letter of credit with the BNL Atlanta Branch for DM81m (£26.4m) in May this year to fund a large scale expansion scheme to make forging dies for the Iraqi automotive industry. The company said yesterday it had been keeping the scheme a secret for commercial reasons. It said there was no question of any components being used to manufacture defence equipment.

The Department of Trade and Industry which contacted Matrix-Churchill yesterday about the nature of the its component manufacturing equipment is refusing to comment on the case. It did say yesterday, however, that all exports of equipment for Iraq and Iran which required an export licence were scrutinised with references to the Foreign Office and the Ministry of defence, before approval was granted. It said that not all machine tools needed export licences.

The UK Government has a policy forbidding export of lethal weapons or equipment that could significantly enhance the military capacity of either Iran or Iraq. The DTI said an important factor in such considerations was the interpretation of the word "significantly".

Mr Paul Henderson, managing director of Matrix-Churchill, who said earlier this week that some of the machine tools supplied previously to Iraq were capable of making military equipment, said yesterday that he had personally seen all the machines supplied by the compnay to Iraq and "none I have seen to date are producing munitions or military components."

He said that even when not required to do so, the compnay had always applied to the DTI for export licences. The DTI made its own enquiries and judgements, he said.

Mr Henderson said the British directors in the compnay had forged good working relationships with their Iraqi counterparts. He said Mr Kadhum was a lawyer based in Iraq. Two other Iraqi directors were based, he said, at the London offices of TDG.

Matrix-Churchill was reluctant to confirm its expansion plans for fear that it could push up prices of specialist plant and machinery it had yet to purchase. It admitted, however, that it had established a projects division to make a factory forging dies for crank shafts, cam shafts and other automotive components.

It said it would be supplying components to a number of automotive compnaies which were currently putting together licencing deals to manufacture vehicles in Iraq.

Mr Henderson said yesterday that he was surprised to hear that records filed in Companies House named him as a one-time director of a compnay called TEG which is related to TDG through a compnay called Admincheck.

Admincheck, a shareholder in TDG, is named in the company records, filed in January 1988, as a director of TEG with two other companies, MEED International (not related to the Middle East Economic Digest) and AWA Engineering. The records show Mr Henderson's resignation as a director and the appointment of an Iraqi director, Mr Anees Wadi in his place.

Mr Adnan al-Almiri, one of the two Matrix-Churchill directors with UK work permits at the TDG offices said yesterday he knew Mr Wadi but refused to say how they were connected.

Grim aftermath of SA polling

Patti Waldmeir on the bitterness after the Cape Town violence

IN THE coloured township of Mitchell's Plain yesterday roads were strewn with twisted and blackened remains of barricades burnt to mark Wednesday's election in South Africa's three segregated Houses of Parliament.

Many people died that night, in some of the worst violence the western cape has seen for several years. Yesterday, police and community groups continued to dispute the exact figure of those killed, while township residents spoke of eight hours of terror on the night that the National Party was returned to power.

In what was thought to be an unprecedented interview on state-controlled television, a coloured policemen from Mitchell's Plain was last night given the opportunity to describe what he called "brutal and unprofessional behaviour" by the riot police in the township.

"They acted like wild dogs," he said, accusing them of causing the unrest. A police representative, speaking on the same programme, said the allegations would be investigated.

Earlier in the day, Mrs Hester Oosterwyck, a community worker at the Mitchell's Plain crisis centre, narrated the events of September 6 to visiting journalists. She said township residents had erected barricades to mark their disapproval of the election to the coloured house, while police helicopters circled overhead and armoured cars patrolled township streets.

At about 5pm, the shooting began. "People were shot in their houses, children were shot in the yards, police were driving around with rifles sticking out the windows of their cars," she said.

She said a three-year-old child was injured by bird shot as she stood with her mother in the doorway of their house. The child remained in hospital with head wounds.

The shooting continued until 1am the next morning, according to Claude, a young community worker who declined to give his surname. "I was shot at by a man with a rifle. There was no warning. The Caspir (armoured car) just came past and started shooting at us."

Claude said he had been trying to gather information on the injured when the incident occurred.

At a press conference given yesterday in Cape Town by Archbishop Desmond Tutu and the Reverend Allan Boesak, leading anti-apartheid activists, there were further accounts of the night's events from the relatives of the dead and from injured victims.

The two churchmen said they believed 29 people had been killed since the violence erupted on the Cape flats on election night.

Police have confirmed only 15 deaths, 10 of which, they said, were the result of interfactional violence among blacks. A police spokesman said that some of the other five deaths may have involved police action.

Law and Order Minister Mr Adriaan Vlok yesterday accused the two clerics of trying to make political capital out of the violence. He said 26 policemen had been injured in the unrest.

Mr Essa Moosa, a prominent anti-apartheid lawyer who also addressed the press conference, said his law firm had identified 13 of Wednesday night's victims. Reports from local township advice centres, and from an ambulance driver who took the injured and dying to hospital, indicated a further 16 dead. This number could not be independently verified.

Eyewitnesses present at the conference spoke of police shooting indiscriminately at residents, using bird shot, buck shot and live ammunition.

One mother said her 13-year-old son had been shot in the head from a passing police van as he walked to the local shop. A 19-year-old coloured youth recounted the death of one of his schoolmates whom he said had been shot when police fired into a crowd.

Anti-apartheid groups in Cape Town declared a week of mourning for the dead, involving the memorial church services and ceremonial lighting of candles. Archbishop Tutu predicted further unrest at funerals for the dead, due to take place next Saturday.

Israelis may prosecute over aid to drug dealers

By **Hugh Carnegy** in Jerusalem

A POLICE investigation into allegations of involvement by Israelis in training Colombian drug cartel death squads has recommended the prosecution of six employees of a private security company for allegedly exporting military know-how without authorisation, Israel Radio reported yesterday.

The police would not give details of the investigation's findings, but said a report was being passed to the state prosecutor.

The radio said six security instructors from the company, headed by a reserve army colonel, were accused by the police of exporting security techniques without the required permission from the defence ministry - an offence which, if proved, carries a maximum penalty of three years' imprisonment.

The radio added that lack of evidence from the Colombian authorities, who have accused British, Israeli and other mercenaries of training paramilitary gangs for Colombian drug chiefs, had limited the investigation.

The reserve colonel has said his company had trained men to protect farmers from attacks by leftist guerrillas in Colombia, but denied any involvement with drug dealers.

Israel, which has long-standing close military and trade links in the region, is anxious that its vital relationship with the US should not be damaged by the drugs issue.

The Government has responded swiftly to a US request to its allies to distance themselves from the Panamanian régime of General Manuel Noriega.

Jordan hopes to reschedule debts with banks today

By **Lamis Andoni** in Amman

JORDAN hopes to sign an agreement with a team representing the London Club of foreign creditor banks today, to reschedule debts for the years 1989 and 1990.

Mr Nizar Jardaneh, Finance Minister, said in Amman this week that Jordan hopes to defer the payment of $450m – the amount due for 1989 and 1990 – over a period of 10 years with a grace period of five.

Last July, Jordan concluded a similar agreement with the Paris Club of creditor foreign governments to reschedule the instalments due until 1990 over the next 10-11 years with a grace period of 5-6 years.

The rescheduling of its foreign debts – estimated at $8.3bn – will provide Jordan with a two-year breathing space to restructure its economy.

The country's acute foreign currency shortage resulted from a decline in financial aid from Arab states and in remittances from Jordanian expatriates living in the Gulf.

But over the past month, an influx of Arab aid from Gulf States and the direct intervention by the Central Bank of Jordan in the market has helped to stabilise the exchange rate of the dinar against the dollar.

The bank intervened last July and devalued the dinar by around 2 per cent against a basket of currencies to narrow the gap between the official rate and the black market.

But the gap remained big – at 24 per cent – but by the end of July, the exchange rate hit an all-time low when the free-market exchange rate of the dinar was equated with one dollar, down from $2.8 last October.

Immediately afterwards, King Hussein visited Saudi Arabia and secured a grant of $200m, which, together with $350m from other Arab countries. raised the foreign currency reserves to $500m, enabling the bank to supply commercial banks to meet the market's demands for hard currency.

Moreover, Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, and the leadership of the Palestinian intifada (uprising), ordered Palestinians in the Israeli-occupied West Bank to deal with the dinar instead of the dollar.

Mr Arafat's intervention followed Jordanian accusations that Israel was dumping its dinar stock in the Gulf through Cyprus to cause a monetary collapse in Jordan and to hit the intifada.

The bank also took a series of measures, including the merger and take-over of two major banks, and again intervened in the market in early August by further depreciating the dinar and introducing a two-tier exchange rate system to secure the needs of the commercial banks.

Availability of foreign currency has also enabled the central bank to make regular reasonable sale offers to the commercial banks involving a fixed higher resale ceiling.

The Jordanian dinar, which stands officially at $1.2, has lost 70 per cent of its value. The central bank hopes to stabilise the dinar at around $1.6 by the end of this year.

The gap between the official rate and that of the black market has narrowed remarkably, but continues to fluctuate.

By this weekend, the black market rate was almost equal to the official rate, but bankers warned that any political or financial stir could lead to another fall in the dinar's value.

The stabilisation of the dinar, however, has already led to an increase in the remittances from expatriates in the Gulf.

Pakistan concerned at refugee aid cuts

By **Christina Lamb** in Islamabad

THE Pakistan Government is becoming increasingly concerned over drastic cuts in Western aid to Afghan refugees. Officials complain of an almost $15m (£9.3m) cash shortfall from the United Nations High Commission for Refugees (UNHCR), and say they urgently need a further $200m assistance for commodities and transport.

A delegation led by Mr Happy Minwalla, Ambassador at Large to the Pakistan Government, has left to tour Europe and America to request help.

Mr Minwalla says: "We fear that with the decline in Western interest since the Soviet troops withdrew, we will be left with the entire burden of supporting the world's largest refugee population".

The cost of looking after more than 3.8m refugees living in 345 camps is more than $1m a day, of which Pakistan at present provides 46 per cent, the UNHCR 16 per cent, the World Food Programme (WFP) 33 per cent, and other donors 5 per cent.

The crisis has come about because the UNHCR, which has been providing aid since 1980, has a $100m deficit and is cutting back on all programmes by at least 10 per cent.

This means that Pakistan, one of the largest recipients, has been told to make additional savings of $4m. The programme had already been slashed to $35.119m, compared to $43.7m last year, and far less than the $46m Pakistan requested.

Instead of the predicted return of refugees to Afghanistan, 67,635 more have arrived. Four new camps have been set up, costing a further $9m.

UNHCR suggested that money could be saved by cutting various projects and stopping supplies of kerosene, a prospect which horrifies Pakistan, which fears further deforestation of its already denuded forests.

In a letter to Mr Jean-Pierre Hoch, head of UNHCR, a Pakistangovernment representative said: "We are utterly disturbed by these developments. There has been no material change in the refugee situation. Substantial repatriation is nowhere in sight."

France to retreat on politicians' amnesty

By **Ian Davidson** in Paris

IN its most significant political retreat since coming to power 15 months ago, France's socialist government seems set to drop plans for an amnesty of politicians who have used allegedly corrupt methods to procure party political funds.

The amnnesty would have affected several thousand elected politicians caught up in a rapidly widening net of police investigation.

But the government has been forced to backtrack, partly by pressure of public indignation, and partly by fear of defeat in the National Assembly.

The amnesty was originally intended to be a counterweight to a new law on party political finances: in return for new laws on state contributions to party funds, stricter limits on party expenditure, and sterner punishments for breaking the new laws, the government would wipe the slate clean for those who had transgressed before June 15 this year.

But in the face of public indignation at a measure seemingly mainly intended to white-wash socialist politicians, the government was obliged to postpone parliamentary debate from June until the autumn session. Now, it seems clear the new law on party finances will almost certainly be presented without an accompanying amnesty.

The government had reason to fear it would be defeated by an alliance between opposition parties; there had been suggestions that the communists might be prepared to bring the government down by voting a censure motion along with the right-wing parties.

Politicians of every persuasion are said to have been involved in the investigations. But it appears socialists have been the most numerous, to judge from press reports.

Indications began emerging a year ago. Since then, a growing flood of leaks has pointed to a systematic network of corrupt practices, between local authority politicians seeking political funds, and building contractors prepared to pay kick-backs for contracts.

What is now uncertain is the fate of the politicians involved, reckoned to total several thousand. Will they be brought to justice, or will the investigations run into the sand?

Steel production to stay high

World steel production this year is likely to stay close to 1988's record levels, according to the Organisation for Economic Co-operation and Development (OECD), George Graham reports from Paris.

The Paris-based international economic grouping is forecasting total world steel output of 777.7m tonnes this year, a drop of just 0.2 per cent after 1988's 6 per cent increase to 779.5m tonnes. Output in the OECD member countries is forecast to decline by 1.6 per cent this year to 376m tonnes.

Amnesty protests to Saudis at detention of Kuwaiti pilgrims

By **Andrew Gowers** in Kuwait

AMNESTY International has protested to Saudi Arabia about the detention and alleged torture of 33 Kuwaiti Shia Moslems who have been held in the kingdom for nearly two months since they were arrested during the annual Hajj (pilgrimage) to Mecca.

In a letter to Prince Nayef bin Abdul-Aziz, the Saudi Interior Minister, the human rights organisation has called for the immediate release of the pilgrims or their prompt trial on a "recognisably criminal" offence.

Amnesty's public appeal follows more discreet representations to the governments of both Saudi Arabia and Kuwait during August, to which the organisation says it has received no reply.

The 33, who include teachers, engineers and a former member of the Kuwaiti parliament, are among a number of foreign pilgrims rounded up after a bomb explosion near the centre of Mecca on July 10.

Their fate is causing increasing concern in Kuwait and threatens to revive tensions between the emirate's Sunni elite and its sizeable Shia minority.

There are reports that two of them – the ex-MP and a former city councillor – have been in hospital following torture in Riyadh's Central Prison, and unconfirmed rumours that several of the 33 have been sentenced to death.

The continuing detention of the Kuwaitis coincides with what appears to be an increasing crackdown on dissent within Saudi Arabia's own Shia community in the kingdom's Eastern Province.

Amnesty knows of at least 45 Shias currently being held without trial, and has expressed concern about the death in police custody of a 40-year-old Shia woman, Mrs Zahra al-Nasser, on July 16.

The reasons for the crackdown are not clear. Saudi concern about Shia activism in the past has stemmed principally from Iranian attempts to export its revolution.

But since the death of Ayatollah Ruhollah Khomeini in June, Iran has been sending Riyadh conciliatory signals.

Although the Kuwaiti Government has taken up the detentions with the Saudis, there has been little public discussion of such a controversial issue in Kuwait, which is hyper-sensitive concerning diplomatic and political relations with its more powerful neighbours.

Other pilgrims arrested in Saudi Arabia at the same time as the Kuwaitis, including Omanis and Pakistanis, are believed to have been subsequently released.

Major to insist on right time for joining ERM

By Robert Mauthner, Diplomatic Correspondent

MR JOHN MAJOR, the Foreign Secretary, will not push for any accelerated British membership of the European exchange rate mechanism, to which the Government is wedded in principle, according to the Foreign Office.

He is known to feel that, while the decision to join the ERM is irrevocable, it is important that the conditions for membership should be right.

Mr Major therefore intends to stick to the Government's well-known line that the British inflation rate will have to be substantially reduced, and that other European Community countries such as France will have to abolish their exchange controls before the UK joins the mechanism.

Mr Major, will be making his first important European policy statement to the Economic Club in New York on Tuesday.

He will take this chance to dispel the impression, given during the Conservative Party's recent European Parliament elections campaign that Britain is lukewarm about Europe.

The Foreign Secretary is anxious to change perceptions, particularly in the Community, fostered by Mrs Margaret Thatcher, the Prime Minister, in her Bruges speech last September, that Britain is not really interested in the future of the Community.

He will stress that the Government continues to believe that membership of the Community is the most important development in the country's history since the Second World War.

John Major: difficulties in the way of EC currency

At the same time, there is no evidence that Mr Major, who is said to dislike visionary views of Europe or grand designs, has any clear ideas of the objectives of European integration.

He appears to share the Mrs Thatcher's views that the Community's internal market must be completed before serious consideration can be given to further steps enhancing European unity.

Mr Major is understood to believe that too many practical difficulties stand in the way of a European central bank or a common European currency. This common currency was foreseen in the blueprint for a European Economic and Monetary Union drawn up by Mr Jacques Delors, the European Commission President.

Nor does he show any greater enthusiasm than other members of his government for the proposed European Social Charter, a project which President Mitterrand of France and some other European leaders are keen on promoting.

At forthcoming meetings of the EC's Council of Ministers, Britain might eventually agree to subscribe to a number of general principles governing social relationships but Mr Major will reject any attempt to impose specific social legislation on the UK.

That, however, does not rule out closer European political or defence co-operation, areas which, according to strictly legal criteria, fall outside the competence of the Community as defined by the Treaty of Rome.

Like his predecessor, Sir Geoffrey Howe, Mr Major is expected to pursue ways of achieving greater co-operation in defence and nuclear matters.

This co-operation is aimed particularly at France, though no precise proposals have yet been formulated.

Royco-Varia investors face losses of £17.5m

By David Barchard

INVESTORS in the Royco-Varia Group of Companies were told yesterday by the Official Receiver that they stand to lose more than £17.5m.

Mr Denis Dolman, the Official Receiver, told a creditors' meeting in London yesterday that they had been the victims of what he described as an incredibly clever scheme in which funds had been extracted from investors in several European countries and then filtered through a complex group of companies registered in several countries.

About 40 people, some of them brokers representing German and French investors, attended the meeting yesterday. They had already been warned in a letter from Mr Stephen Adamson – the Ernst & Young accountant appointed by the High Court in July to act as special manager – that they stand little chance of regaining much of their money.

Mr Dolman confirmed yesterday that the assets guaranteeing investment bonds sold by the group had turned out to be West German Government International $5\frac{1}{2}$ per cent 1930 loan bonds, which the German Federal Debt Administration Office would not honour.

Other group assets had been scattered between accounts in at least 10 countries and in some cases it had proved difficult for Mr Dolman to recover them.

The Royco-Varia Group – consisting of eight companies registered in six different countries including the UK – was wound up by High Court order on May 25. However, the order was contested by Mr Barry Barlow, the leading figure in the group, and was not confirmed until July 7.

Mr Dolman yesterday described Mr Barlow, who has been corresponding with investigators since January from an address at St Martins in the Netherlands Antilles, as "the puppet master of the group."

Mr Barlow's whereabouts and those of three other group officials – Mr Michael King, Mr Brian Russell, and a Mr Larson – are unknown.

Claimants were told that separate investigations were under way in several other countries and that a representative of the group in Switzerland was recently arrested in Geneva and indicted by a court for aggravated fraud.

The Economic Crimes Unit in the Netherlands is also investigating Nederlandse Varia Garantie, the Dutch-registered company which provided formal guarantees for the bonds which promised investors unusually high returns on their capital.

The London meeting approved the appointment of Mr Adamson as liquidator. He faces the task of recovering any further funds on behalf of claimants, the overwhelming majority of whom live outside the UK.

Wraps off for the holiday package

David Churchill reports on a new realism within the travel industry

AN IMPORTANT anniversary for Britain's travel industry was celebrated this week by Mr Vladimir Raitz and his associates. It is just 40 years since an ageing Dakota took the very first group of Britons on a package charter holiday to Corsica for £32.50 a head.

Mr Raitz, a Russian emigré and once a Reuters correspondent, was chairman of Horizon Holidays in 1949 when the idea of offering holidaymakers an inclusive charter flight and hotel was first thought up.

In those days, the concept of packaging a holiday in this way was considered fashionable and rather novel. As an idea it was clearly ahead of its time: it was not until the late 1970s that the crucial combination of relatively cheap flights and rising levels of disposable income brought the continental package holiday widespread popularity.

Over the past decade, the number of Britons seeking Mediterranean sunshine has risen steadily – with one or two hiccups – until this year.

This year, however, demand for packages has fallen by 5-10 per cent – depending on the level of pessimism – as a result not only of rising interest rates but also, it seems, because a sizeable number of consumers are becoming disenchanted with the package deal as offered.

In the past few months all the problems of the travel trade have surfaced with a vengeance. They include airport delays, poor standard accommodation, sewage in the holiday hotel swimming-pools and other horrors.

With all the glee of vultures awaiting a kill, the media has wasted no time in proclaiming the end of the package holiday era.

"Its nonsense to suggest that people don't want package holidays any more," said Mr Charles Newbold, managing director of Thomson Holidays. "We will sell some 2.2m holidays this year alone and the number of complaints we have had this year is running at a level 25 per cent down on last year."

Yet the travel trade has clearly had its confidence shaken this summer. The traditional optimism displayed at this time of the year, when tour operators usually try to talk up the market, has been replaced by a new realism about package holidays as the business moves into the 1990s.

Mr Harry Goodman, chairman of the International Leisure Group which owns Intasun, said: "For the first time since the package holiday started 40 years ago there will be a reduction in the number of holidays for sale."

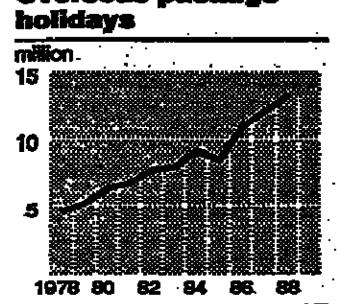
He added: "This is confirmation that the travel industry price war is at an end and tour operators will be competing on the basis of the quality of their accommodation and services rather than on price in the 1990s."

This new realism from a travel chief once regarded as the most bullish of them all, is reflected not only in the one million fewer holidays that the tour operators collectively plan to sell next summer but also by their willingness to push up prices by about 10 per cent.

Profit margins for the leading tour operators have been wafer-thin for several years. Last year the 30 top tour operators made an aggregate net profit of £15.5m, just 0.5 per cent of their combined turnover.

Even with price rises next summer at a higher rate than inflation, the profit levels of the tour companies would seem far from healthy.

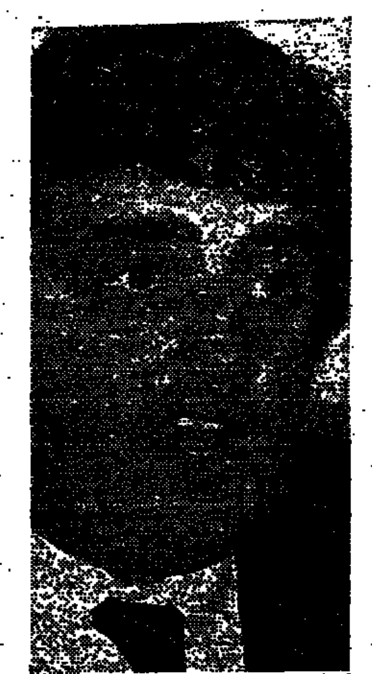
Overseas package holidays



Tour operators market share 1988

1988 Total 13.2m	% by volume
Thomson Travel	28
ILG	17
Horizon	8
Redwing	5
Owners Abroad	4
Airtours	3
Best Travel	3
Yugotours	2
Cosmosair	2
Granada Travel	2
Others	26

Sources: Business Monitor; MSI



Harry Goodman: Britons get the best deal

However, the cut in next year's capacity is likely to accelerate the demise of a number of smaller operators. With Thomson (including Horizon which it bought last year) and Intasun now accounting for almost 60 per cent of the package market by volume, the squeeze will be felt by many smaller operators unable to compete effectively in the mass market with the buying power of Thomson or Intasun.

Most interest at present centres around the future of Redwing Holidays, the third largest operator, 60 per cent owned by British Airways. It is widely rumoured in the travel trade that BA is unhappy with Redwing's losses and the low profitability of the market.

Yet while the leading tour operators are now beginning to realise that chasing volume is a no-win ploy, travel agents have apparently not yet learnt the lesson. The key players – Thomas Cook, Lunn Poly, Pickfords and Hogg Robinson – are all engaged in a fierce fight for market share, offering discounts and other inducements to consumers.

Thus, while the discounts have disappeared from brochures, they have reappeared in travel agents' windows.

Amid all the hectic activity from tour operators and travel agents there are clearly some fundamental changes in the way Britons treat their holidays that the industry can ignore only at its peril.

Perhaps the overriding change is the fact that for many people travel is no longer a new experience. Hence many holidaymakers want more freedom and independence from their holiday, rather than the strict regimentation that many a package deal entails. This explains why, in spite of all the adverse publicity, timeshare holidays are very buoyant: there are some 3,000 British timeshare property purchases each month.

The trend is also reflected in the growth of seat-only flights on charter airlines: more than 2.5m seats will be sold this year and the figure is likely to double by the early 1990s.

At the same time, many holidaymakers are looking for different experiences from their holidays: hence the growth of charter flights to the Caribbean and the US as well as to the Far East and Australia.

Yet new destinations also have to meet the right quality standard. Turkey became a popular destination three years ago because it was a new and unusual country for many holidaymakers. However, over-ambitious attempts by the Turkish tourist industry to capitalise on this growth have resulted in much poor quality accommodation being offered to the market, which in turn has resulted this summer in a 30 per cent slump in bookings.

"In 1990 we expect Turkey to recommence its growth path, but at a less frantic pace than in previous years," said Mr Vic Fatah, managing-director of Redwing Holidays which pioneered Turkish holidays.

Whether the new realism in the travel trade lasts through the winter remains to be seen. Mr Goodman was quick to point out: "British holidaymakers are still getting the best deal in Europe, as the Germans, French and Swedes are all paying up to £100 more for identical holidays in Spain."

In addition, Mr Goodman sees little threat from the new-found confidence of British seaside resorts. "Two weeks at a three-star hotel in Majorca will average £350 next summer," he said. "The equivalent hotel holiday on the south coast of the UK would be close to £500 excluding transport."

Anglo-Argentine delegations say talks have been a success

By John Mason

TALKS between British and Argentine delegations of parliamentarians this week on improving relations between the two countries were described yesterday as successful.

Senator Eduardo Menem – leader of the Argentine delegation and brother of President Menem – said the talks should help to build confidence for Government-level negotiations which are planned for next month in Madrid.

In a joint statement after the talks the two delegations said that the next step forward should be the early restoration of direct diplomatic relations after the Madrid meeting. Relations between the two countries were cut after the Falklands conflict in 1982.

The talks, held during the Inter-Parliamentary Union centenary conference in London, were described as "warm and businesslike."

The two delegations discussed the main subjects to be raised at Madrid – the restoration of diplomatic relations, trade, air and sea links and sporting and cultural contacts.

The issue of sovereignty of the Falkland Islands will not be discussed at the Madrid talks following President Menem's proposal to put the question under an "umbrella" without prejudicing the claims of either country.

The statement said both delegations appreciated the move by the Argentine president. They also agreed to a regular dialogue between parliamentarians and to press for further moves towards normalising relations.

Buy-out of Harland is to go ahead

By Our Belfast Correspondent

THE management-employee buy-out of Harland and Wolff, the Belfast shipbuilder, looked certain to proceed last night after unofficial reports that almost 80 per cent of workers had bought shares in the new company.

Mr John Parker, Harland chairman, told the 2,361-strong workforce yesterday that the buy-out was going ahead, although it is understood a few technical formalities have still to be completed.

Mr Fred Olsen, the Norwegian shipowner, who is supporting the buy-out by investing £12m and placing orders for three Suezmax tankers at the yard, also addressed employees after he flew into Belfast yesterday.

Under the terms of the deal agreed with the Government, which has written off debts and provided a refinancing package, the buy-out team, which has been led by Mr Parker, had to raise £15m to ensure its success.

The workers, who were offered the opportunity to buy between 400 and 900 £1 shares, were asked to raise a total of £2.35m.

While not every worker responded it is understood that 77 per cent bought shares averaging around £600 per employee.

Northern Ireland's main clearing banks and members of the local business community raised more than £500,000 and the company's three directors, including Mr Parker, each put up £50,000.

Kawasaki, the Japanese shipbuilding company which is advising the yard on the tanker construction programme, also bought shares.

However it was Mr Olsen who invested the bulk of the capital required in return for a 47.5 per cent stake in the new company.

The employee-management team also has a 47.5 per cent vote with the remaining 5 per cent being held by outside investors.

Harland's management was yesterday involved in a day-long series of talks with their technical and legal advisers.

Mr Parker regards the response of the workforce as a firm indication of their confidence in the company's future.

However, some employees maintain they had no option but to go along with the share issue, knowing that failure to co-operate would have led to the collapse of the buy-out

Welsh Water warns that supplies may be reduced

By Anthony Moreton, Welsh Correspondent

WELSH WATER has warned its 3.2m customers that many of them will have their supplies severely restricted unless they make substantial savings.

The spectre is being raised of stand-pipes in the street and a return to the severely-rationed supplies of 1976 when parts of Wales had their water supply cut off for up to 17 hours a day.

The authority said yesterday: "The reservoirs are lower than they have been for many years, particularly in south-east Wales because we have had so little rain since March."

This year's fine summer, which has had half the average yearly level of rainfall, has taken such a toll in Wales that many of the reservoirs are almost empty.

It is now possible to walk across the Beacons reservoir in the Brecon Beacons national park, one of several that supply Cardiff.

Dry conditions are not likely to improve materially in the near future, according to the weather forecast. Welsh Water has extended its hosepipe ban to domestic customers to a ban on the use of all sprinklers, whether in public places such as parks and golf courses or domestic places such as the garden.

It has also stopped garages using car-washes.

Welsh Water urged customers not to leave the tap running while cleaning teeth, to save the washing up until the end of the day, to avoid using dishwashers and to make sure washing machines had a full load. It has also told consumers: "Don't run a tap for a cold glass of water – pop a jugful in the refrigerator."

Government widens rules on competitive tendering

By Richard Evans

LOCAL AUTHORITY building and maintenance work is to be opened up further to competitive tendering by the Government.

Mr David Hunt, Local Government Minister, announced measures yesterday that it will remove all protection from councils in competitive tendering for construction and maintenance work.

Under previous legislation, local authority direct labour organisations had to compete with private contractors for maintenance work and new construction work valued in excess of £10,000 and £50,000 respectively.

Below these values, local authorities have been allowed to allocate approximately 40 per cent of their workload to their direct labour organisations without competition. This limit has now been removed.

Local authorities will also be prohibited from renewing contracts with their direct labour organisations without outside tendering.

After October 1, all local authority direct labour organisations with more than 15 employees will have to put their building and maintenance work out to tender. The previous limit has been 30 employees.

Last week the Government served notices on Bristol City Council and London Borough of Hillingdon to enforce compulsory competitive tendering provisions after complaints by private companies.

MMC to examine merger of three water companies

By Andrew Hill

THE MONOPOLIES and Mergers Commission is to look into the planned merger of two statutory water companies and a third controlled by a subsidiary of Compagnie Générale des Eaux, France's largest supplier.

It is the first takeover to fall under the new Water Act, which requires all water industry mergers above a certain size to be referred automatically to the commission. The outcome of the investigation will have important implications for the shape of the industry after privatisation of the water authorities.

The Department of Trade and Industry said yesterday that the commission would consider the merger with reference to all "water enterprises carried on under the control of General Utilities," which is Générale's UK subsidiary and owns four statutory water companies and significant stakes in six others.

If the merger of Lee Valley, Colne Valley and Rickmansworth water companies is approved, the French group will probably have a controlling interest in the enlarged company, Three Valleys Water Services.

The companies, which are already in the private sector, have spent six weeks debating the terms of the reference with the Department of Trade and Industry, the Office of Fair Trading and the Department of the Environment.

Mr Nicholas Ridley, the new Trade and Industry Secretary, had been accused of delaying the reference to avoid complicating the flotation of the 10 much larger water authorities in November. He has asked the commission to report by January 12, 1990.

Should it approve the deal, Three Valleys Water Services would probably get a stock market quotation in February or March next year.

Kinnock repeats nuclear stance

By Ivor Owen, Parliamentary Correspondent

MR Neil Kinnock, the Labour Party leader, yesterday re-affirmed his belief that Britain should not initiate the use of nuclear weapons.

He made it clear that his shift away from unilateral nuclear disarmament had not changed his commitment to a policy of "no first use." He said that this could be achieved by all sides agreeing to "enhance their guard at the expense of their striking power."

Shortest queue times 'are at post offices'

By Hugo Dixon

QUEUEING times at Britain's post offices are significantly less than those at other high street outlets, according to a study published yesterday by the Post Office Users National Council.

Average queueing times at main offices were 1 min 28secs, in banks, 1 min 53 secs, in building societies, 2 min 20 secs and in supermarkets, 3 min 13 secs.

Hair care group shuts plant

By Lisa Wood

SCHWARZKOPF, the West German-based hair products group, is to close its UK production plant in Aylesbury, with the loss of about 130 jobs.

The group said yesterday that the move was part of its European strategy. It had decided to concentrate production in existing factories in Holland and West Germany.

Schwarzkopf UK will continue to employ about 300 people in its marketing and sales operation which supplies professional hairdressers.

Barclays aid for Cardiff

By Anthony Moreton, Welsh Correspondent

BARCLAYS Bank has joined a Cardiff scheme intended to help members of disadvantaged groups find work.

Community Job-Link has backing from Cardiff Inner City Initiative and the Training Agency as well as the bank to help the long-term unemployed, minority ethnic groups and the disabled.

The scheme will concentrate on some of the inner-city areas in the Welsh capital.

Pollution control moves curbed by staff shortage

By John Hunt, Environment Correspondent

THE Government's attempts to reform and improve its system of controlling industrial pollution have run into difficulty because it has not been able to recruit new staff to the Pollution Inspectorate (HMIP).

Last December, after strong criticism of lack of resources for the inspectorate, the Government announced that it was appointing an additional 13 inspectors. So far, however, only one has been appointed.

The National Society for Clean Air said yesterday: "The continued crisis of confidence within HMIP must call into question the Government's commitment to see pollution control enforced effectively at the grassroots."

Environmentalists say that the inspectorate has been unable to attract candidates because the starting salaries of £14,000 to £15,000 being offered are too low. Senior people with considerable experience in industry are required.

Much higher sums for similar posts are being offered by the new National Rivers Authority which will police pollution in the privatised water industry.

Yesterday the Department of the Environment, which controls the inspectorate, said: "It is a problem with competitive rates that other organisations can afford to pay. But we have to get people of the necessary calibre and are not prepared to drop our standards."

When the need for an additional 13 inspectors was announced last year, there were 65 inspectors already in the field. The failure to attract staff comes at a particularly embarrassing time for the Government.

The inspectorate has been divided into water, air and waste disposal but is being reorganised into an integrated organisation where each inspector will look at all three areas.

Lloyd's discourages legal action on Outhwaite losses

By David Waller

MR MURRAY Lawrence, chairman of the Lloyd's of London insurance market, has written to the 1,614 names on the Outhwaite underwriting agencies, to discourage them from taking legal action to recover damages in respect of losses which have so far reached £304m but could top £1bn.

Litigation has seemed a distinct possibility since early last month, when counsel suggested that the names had a strong chance of winning a lawsuit based on a contention that the underwriters on the syndicate had been negligent in carrying on their business.

Mr David Lentaigne, secretary of the Outhwaite 1982 names committee, then said that writs would probably be issued in early November.

Mr Lawrence – writing ahead of next week's meeting of the Outhwaite names – urged the names to bear in mind the conciliation process set in motion at the initiative of the Council of Lloyd's earlier this year.

Mr Mark Littman QC, a barrister, was appointed to help facilitate a settlement by way of negotiation.

Details of Mr Littman's discussions have not been made public but yesterday's letter states that "the initial phase of the programme of discussions is well under way and that progress is being made."

Under the circumstances, Mr Lawrence said that litigation "could hardly be helpful for the conciliation initiative, with a real risk that it could divert attention and make it more difficult for the parties to achieve a conclusion to their disputes."

Mr Lawrence also addressed the matter of the call from Mr John Donner, of Donner Underwriting Agencies, for an independent inquiry into the run-off contracts placed with the Outhwaite agency in 1981 and 1982.

The Council has decided that there is no case for such an inquiry, the names are told.

● Lloyd's is suing Mr Lester Piggott for the recovery of £7,087 owed by the former champion jockey in his capacity as a name on the loss-making Oakley Vaughan & Others syndicate.

Mr Piggott, a name at Lloyd's since 1975, spent a year in a low-security prison in 1987-88 after being found guilty of £3m tax evasion.

Fowler drops 70% rule on turnouts for strike ballots

By Ivor Owen, Parliamentary Correspondent

THE Government yesterday bowed to pressure from the TUC and the employers' organisations. It confirmed that it had dropped the requirement for a 70 per cent turnout from its code of practice on the conduct of strike ballots.

Mr Norman Fowler, the Employment Secretary, sought to make light of the change – one of a number of modifications to the code to take account of representations made during the consultation period that began last November.

He again urged that when a ballot resulted in a majority for industrial action, it should not take immediate effect.

Unions should carefully consider the size of the majority in relation to turnout, he said, and explore all other options for resolving the dispute before they called a strike.

Norman Fowler: further laws not ruled out

Mr Michael Meacher, Labour's shadow Employment Secretary, claimed that the new code – like most of the Government's trade union legislation – was designed "not to democratise trade unions, but gratuitously to restrict their action."

The revised code recommends that the postal balloting method be more widely used and that all ballots be subjected to independent scrutiny.

Mr Fowler said the Government would consider carefully any evidence that trade unions were failing to take proper account of the code's recommendations.

He warned: "We do not rule out further legislation on these matters if that should prove necessary."

Mr Fowler also left open the possibility of legislation being introduced in the next parliamentary session, beginning in November, to curb unofficial strikes by workers in essential public services, such as the railways.

TV-am chief warns on planned broadcasting licence changes

By Raymond Snoddy

MR BRUCE GYNGELL of TV-am, one of the most free market orientated managing directors in British commercial television, warned the Government yesterday there would be "serious problems" if broadcasting licences were awarded to the highest bidder as planned.

Mr Gyngell said that ultimately the viewer would suffer as a result of changes proposed by the Government.

He added that changes in Australian broadcasting law three years ago had allowed greater freedom for those with the most money to buy what they wanted and big new players moved in.

Mr Alan Bond bought Channel 9, the market leader in a deal valuing the network at A$1.3bn (£640m). Financier Mr Christopher Skase moved in on Channel 7 and it changed hands for A$320m and Mr Frank Lowy, a property developer bought Channel 10 for around A$1bn.

Since then not only had Mr Bond been investigated by the Australian Broadcasting Tribunal but Mr Gyngell said that the book value of the network was now one sixth of what it was two years ago. In the wake of all the financial pressure, programme budgets had to be slashed. There was a clear lesson there for the UK.

Mr Gyngell said he would be giving his views to Mr Douglas Hurd, the Home Secretary, and Mr George Russell, chairman of the Independent Broadcasting Authority.

Timber trade call to save rain forests

By John Hunt, Environment Correspondent

THE TIMBER Trade Federation representing 560 timber importers, has written to Mr Nicholas Ridley, the Trade and Industry Secretary, protesting at government delay in agreeing to measures to protect the tropical rain forests from destruction.

The federation finds this particularly surprising as Mrs Thatcher stressed once again this week the high priority her Government was giving to international action to protect the environment.

With its Dutch counterpart it has proposed a 3 per cent to 5 per cent levy on timber imports in order to set up an international fund for the conservation of the rain forests in Brazil, Indonesia, Malaysia and West Africa. The intention is to persuade other EC countries, the US and Japan to participate.

Last November, the federation asked the DTI to get the British Government to raise the matter at the International Tropical Timber Organisation (ITTO) representing the governments of 40 countries which use or produce timber. The ITTO is the forum for initiating the scheme.

But nine months have passed without a decision from the DTI, although the federation has had several meetings with ministers and officials.

Yesterday the federation deplored the delay and said: "In view of the Government's commitment to environmental improvement it is a pity that a good opportunity is being delayed."

The federation is urging the Government to put forward the proposal at the ITTO meeting in Yokohama, Japan, next month.

It is estimated that the levy could raise £15m a year in Britain, £80m to £100m from all the EC countries and about £250m if it was adopted worldwide.

Gould criticises SIB plan for three-tier regulation

By John Mason

PROPOSALS BY the Securities and Investment Board to create a new three-tier framework for City regulation are unlikely to achieve greater simplicity, Mr Bryan Gould, Labour's Trade and Industry spokesman warned yesterday.

In a letter to Mr Michael Blair, legal director of the SIB, Mr Gould said he supported the objectives of greater flexibility and simplicity, provided this did not mean reducing the level of investor protection.

However, he said that the proposed top tier of "principles" should be scrapped since they would serve no useful purpose and could lead to unnecessary confusion.

The principles were wider in scope than the rules in the bottom two tiers, so it would be possible for investors to have no remedy if the rules were met but the principles broken.

Mr Gould also criticised differences between the second-tier "designated rules" and the third-tier "other rules." In some cases the designated rules could be weakened by the other rules. "This is hardly a recipe for greater simplicity."

Mr Gould said the new framework should be based on two tiers: designated rules to allow individual investors to obtain a remedy and other rules to supplement the designated rules in the rule books of particular self-regulatory organisations.

Lloyds Bank places order for 2,000 eftpos terminals

By Alan Cane

LLOYDS Bank is buying 2,000 terminals developed for "cashless shopping" – electronic funds transfer at the point of sale – which it intends to market to retailers.

The order is worth £1.8m, at £900 a terminal. Lloyds would not say what it intends to charge retailers for the terminal but confirmed that it intends to make a profit from the deal.

The terminal will sit alongside an electronic cash register or electronic point of sale system, validating plastic cards and recording and processing transactions.

The order has been placed with the UK subsidiary of Nokia Data of Finland, a leading manufacturer of data communications and processing systems. It already supplies most UK clearing banks and EFT/POS UK, the cashless shopping organisation.

The deal between Lloyds and Nokia has broken new ground in two directions. These are that the terminal was developed through co-operation between Lloyds and Nokia as the first phase of a more general collaboration which is expected to yield a range of new EFT/POS products.

The terminal has also been designed to allow the retailer considerable flexibility.

Cashless shopping involves the use of a plastic card as a substitute for cash or cheques using a terminal which reads information on the card.

Details of the transaction are transmitted from the terminal to the customer's bank over the telephone.

The Nokia terminal is able to handle all major card schemes, determining which network it has to gain access to and which security system it must use. It can be reprogrammed electronically over the telephone.

EFT/POS UK, owned by the clearers, has been developing standards and procedures for a national cashless shopping system for three years. The first terminals are now going live in trials in Southampton, Leeds and Edinburgh.

Construction output up 15.9%

By Andrew Taylor, Construction Correspondent

THE VALUE of UK construction output rose by 15.9 per cent to a record £22.47bn during the first half of this year. This was in spite of a 3 per cent decline in the value of private housebuilding output compared with the first six months of 1988.

In volume terms UK construction output rose by more than 5 per cent during the first half of this year while private housebuilding fell by more than 17 per cent.

The figures, published yesterday by the Department of the Environment, are in line with recent results from some of Britain's largest construction groups.

These show profits from private commercial and industrial development during the first six months of this year have in most cases more than compensated for the drop in earnings from housebuilding.

According to the department, total output figures for April, May and June, however, were unchanged on the first three months of this year although 6 per cent higher than in comparable months last year.

The figures expressed in constant 1985 prices and seasonally adjusted, showed private housebuilding in the second quarter of this year fell by a fifth compared with the corresponding period last year and was 5 per cent lower than during the first quarter of 1989.

The fall is even steeper in southern England. Costain Group, which builds mainly in the South, said on Thursday that its sales were barely half those of a year ago.

Mr Peter Costain, chief executive, said, however, that the value of building and civil engineering was up by more than half compared with the end of June last year.

The environment department said commercial construction output in the second quarter of this year was 30 per cent higher than during the corresponding three months last year and 2 per cent higher than during the first three months of 1989.

Private industrial construction was 12 per cent higher than during the corresponding quarter last year but fell by 3 per cent compared with the first three months of this year.

As yet there has been no sign of the expected peaking of commercial and industrial orders. Analysts expect the balance of construction order books to switch more to civil engineering work over the next few years as the upsurge in UK property values peaks and spending increases on water, roads and other transport infrastructure.

Government's attitude to public safety criticised

Reporters: Charles Leadbeater, John Gapper, Jimmy Burns, Michael Smith, Fiona Thompson

THE GOVERNMENT'S attitude to public safety was heavily criticised yesterday by delegates on the final day of the Trades Union Congress in Blackpool.

"The enterprise culture has engendered a climate of opinion that encourages risk taking – the quick buck rather than the safe ride," said Mr Ken Cameron, general secretary of the Fire Brigades Union.

"We hear platitudes from the prime minister about what a marvellous job the emergency services have done in recent disasters yet at the same time the Government is withdrawing resources from these services."

Mr Cameron said the disasters should have provoked the Government to rethink its safety policy, but they had not. P&O ferries sailed with less crew now than before Zeebrugge, while firefighters were being cut back and barriers were being erected at Tube stations in spite of the King's Cross disaster.

Mr Brian Orrell, general secretary of the National Union of Marine, Aviation and Shipping Transport Officers, said disasters would continue as long as the Government merely reacted to them. "We need to prevent them happening in the first place."

Conference passed unanimously the motion calling on the Government to look into establishing an independent disaster agency to be responsible for monitoring and enforcing safety standards.

A health and safety motion rejecting the Government's plan to neuter the power of pit deputies – responsible for safety in pits – was carried unanimously.

Mr Bleddyn Hancock, of Nacods, the deputies union, said the proposals were a blatant attempt to deregulate the mining industry.

In a debate on violence at work, Ms Bernadette Hillon, national womens' officer of the shopworkers union Usdaw, said violent assaults on shopworkers were increasing by 50 per cent a year.

Women faced additional problems of sexual attack or harassment. Retailers opening for more late nights and building more out-of-town stores ought to stop and think what this meant for the women who had to work in them.

The only effective way to tackle violence at work was to make it a top priority collective bargaining issue, said Ms Hillon.

Safeguards for shopworkers remained basic and often inadequate. The majority of violence at work was foreseeable and preventable, and employers had the power to make their premises safe for workers. What was needed was the commitment to change.

Still looking for a role in Britain after Thatcher

Charles Leadbeater reviews this year's Congress

THE proprietor of Halstead's newsagents, at Skippool Creek just outside Blackpool was not pleased. Live television coverage of the TUC Congress ended on Wednesday, so he missed the debate on defence and disarmament.

"He likes watching people getting worked up. They do a lot of shouting at the TUC," said his wife.

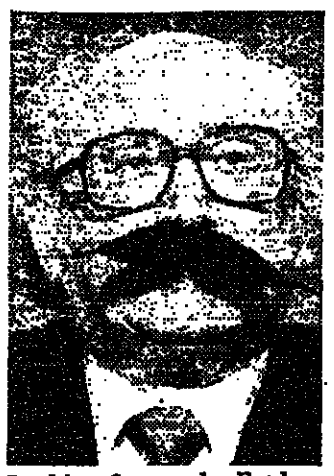
It was as if the debate would have been a good substitute for televised wrestling – attractive as a spectacle rather than because the result mattered.

On that score, the most important decision of the week was the remittance of motion 20, calling for the repeal of the Blasphemy Laws after the debate on Salman Rushdie's book, Satanic Verses. This one-paragaph motion so exercised one union delegation that its general secretary was criticised for not providing a copy of the Laws to inform their hour-and-a-half debate on which way to vote.

The fate of motion 20 symbolised events at Blackpool this week, as TUC officials tried to prevent delegates working themselves up into a lather about issues that are not political and industrial priorities.

The result was a quiet, even stable Congress. However, in the process it raised the questions most persistently posed in cafeterias, pubs and restaurants: "What do you think of it? Its so boring isn't it? What are we all doing here?"

After a decade of Thatcherism what did this Congress tell us about the state of the union movement?



Looking for a role: Fred Jarvis of the NUT

As one long serving TUC official said on the promenade the Sunday before Congress: "Some people had to get an enormous amount of crap they inherited from the 1970s out of their systems. That has taken a long time, but we are probably close to achieving it."

Gone are debates about incomes policies, Keynesian economic strategies and import controls. The unions are no longer on the defensive. The long, slow adjustment to the loss of the political and industrial power is finally coming to an end, but it is not yet clear whether a new role will fill the vacuum.

Industrially, the unions are more confident than for many years. However, much of this confidence comes from this summer's strikes – a very traditional index of union strength.

The more important issue is whether the unions can rebuild their membership by recruiting in growth areas, industries and occupations. Their ability to do this remains largely untested.

The task of changing culture, priorities and organisation on the ground – in regional and district offices – will be far more tortuous than managing a political accomodation between union leaders over TUC policy.

The unions' political adjustment also seems only half complete.

This week there was considerable determination to provide a solid base for next month's Labour Party conference, which will debate the policy reviews intended to form the framework on the next election manifesto.

It is by standing for something beyond their own immediate interests that the unions are seeking to engage a wider public.

As the official on the promende put it: "Industrial relations does follow politics. Not narrowly in terms of industrial relations, but more broadly in terms of values and ethos. Changing the political ethos in Britain will be essential if the unions are to renew themselves industrially."

Yet only rarely did this week's speakers try to engage the likes of the Halstead's proprietor.

Maddocks is fifth woman elected to chair

MS ADA Maddocks, National Health Officer for Nalgo, the public service union, yesterday became only the fifth woman ever to chair the TUC general council.

Her election, after 46 years as a union member and 12 years on the council, comes when the TUC is attempting to improve its image among women and increase their influence on its decision-making processes.

Earlier this week it increased the number of seats reserved for women on its 53-member general council from six to 12. The move helped to produce rapid rises to prominence for several women, including Ms Donna Covey, the 28-year-old national health officer for the GMB general workers union.

For 62-year-old Ms Maddocks it was a longer haul to the top – at 34, she joined Nalgo staff in 1961 as a secretary. Her job involved attending meetings and drafting minutes and agendas for the union's electricity section. "It was a small group and gradually I became more involved," she said yesterday.

By 1971 she had won enough respect to be appointed a negotiating officer. Six years later, she was elected to the TUC general council as one of two women members.

The council chair is elected by its membership. Ms Maddocks' duties will include presiding at general council meetings and chairing next years annual congress.

Alan Harper

Anne Maddocks alongside Fred Jarvis, Tony Christopher and Norman Willis at this year's close

Motion attacks restriction on civil liberties

The restriction of civil liberties in Britain was attacked by delegates.

A motion was passed saying that Britain was on the road to becoming an authoritarian society because of its breaches of international employment conventions.

Ms Rita Donaghy of the Nalgo local government officer' union, said that a big factor in the erosion of liberties was that the Government "produces vague and ill-conceived pieces of legislation" and curtailed debate on them.

Leaders reject 8.2%

Union leaders of 60,000 craft workers in local authorities have rejected rejected an 8.2 per cent pay offer. They will meet negotiators for Britain's 500 local councils next month.

The offer follows an 8.8 per cent award to white-collar workers. Unions and employers will start pay talks next week for 1m council manual workers.

Prison talks urged

The Government was urged to begin talks with other EC countries to raise standards in British prisons.

TV franchises

Congress criticised the proposed auctioning of franchises for regional television under the new broadcasting framework.

Museums 'crisis'

A "financial crisis" facing national museums and galleries was noted in a motion on the arts.

Cohse joins talks for super union

By John Gapper, Labour Correspondent

THE HEALTH union Cohse has started talks with the public service unions Nupe and Nalgo on a merger that would create the biggest British union. The talks are expected to take several years.

Cohse, which before this year had insisted on maintaining its independence from Nupe, has become the third partner in a working party discussing the structure of a new 1.6m-member public services union.

Leaders of Cohse, which has 218,000 members in the National Health Service, agreed to enter the talks last month after a decision at the union's annual conference to change its merger policy.

The Transport and General Workers Union and the MSF general technical union are also holding talks about a closer relationship that could lead to a merger creating a union of 1.9m members.

Mr Hector MacKenzie, Cohse general secretary, said the new union would have to include a separate health section.

Amma hires team of managers

By David Thomas, Education Correspondent

A TEAM of former senior managers has been hired as mobile casework officers to advise members on employment problems by the Assistant Masters and Mistresses Association, the largest non-TUC teaching union.

It is not unknown for trade union officials to move into management, but it is unusual for a union to recruit senior figures from management.

The 131,000-strong union announced the move yesterday, as part of an overhaul of services to members, including a package of financial services negotiated with the TSB bank and Commercial Union Assurance. Amma's initiative reflects the fierce competition among teaching unions for members.

Mr Peter Smith, Amma general secretary, said workers were increasingly asking why they should belong to a union. "The time has gone when they will simply pay a subscription into a solidarity insurance fund," he said.

The union has recruited eight senior figures from educational management – most of them recently retired – whom it will send to deal with members' individual difficulties.

They include former directors of education, the highest post in educational management.

These "national casework officials" will be paid a £3,000 annual retainer, plus £50 a day for the time they spend working on cases.

The financial package to be offered to Amma members includes a 2 per cent discount on loans through TSB, a 10 per cent discount on the cost of selling houses through TSB's property arm and a 10 per cent discount on renting or buying cars through Swan Motors.

Mr Smith said the union was considering with TSB whether to introduce a credit card.

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Getting the act together

ANYONE RETURNING from holiday this week might well have felt that the world had tactfully held itself in a state of suspended animation in the interim. Central banks intervening to hold down the dollar; West German growth higher than expected; the British distributive trades in a state of increasing gloom while car registrations soar inexorably – this week's press headlines sound remarkably like the mixture as before. Yet things do feel somehow different; and the difference might just be that many of the problems that have obsessed people since the Crash of '87 have finally retreated to the point where they cause none but the most gloomy to lose sleep at night.

Central bank intervention always tends to whip up excitement in the markets. Yet when all is said and done the dollar, on a trade weighted basis, has been moving in a relatively narrow range over the past two years; and the configuration of exchange rates that emerged after the Louvre Accord appears to be compatible with adjustment. Trade imbalances have not only provided an anti-inflationary safety valve while the world economy forged ahead; they now appear manageable as well.

Consider Japan, which remains the subject of intense hostility on the part of the American electorate. Too few have observed how the Japanese trade surplus has come down in recent months. More striking is the fall in the current account surplus as a percentage of GNP. Between the fourth quarter of 1986 and the second quarter of last year it fell from 4.7 per cent to 2.4 per cent and has since moved only marginally above that level. The 1986 figure can now clearly be seen for what it was: a response to a freakish combination of dollar overvaluation and a collapse in the hitherto overblown oil and commodity prices to which Japan's balance of payments is so sensitive.

Trade under-recording

The US trade deficit has admittedly been slower to respond. But here the statisticians have helped cut the problem down to size by discovering massive under-recording of trade in tourism and education, worth some $30bn off the deficit. The composition of the deficit, meantime, has shifted away from Japan to other Asian economies. The fact is that the Japanese government has had too little credit for conducting its monetary policy in a way sensitive to the requirements of the rest of the world. And whatever their other reservations about their rulers, the Japanese people shows every sign of enjoying an unprecedented consumer boom.

The West German trade surplus, admittedly, has proved more obdurate. An unexpectedly high growth rate of 4.9 per cent in the second quarter this year owes a great deal to booming demand and an investment boom in the rest of Europe, as well as to strong foreign investment income – a locomotive in reverse, so to speak. Yet the German contribution to a balanced and stable pattern of economic activity across the world should not be underestimated. While the Bundesbank chose not to raise interest rates this week, it will certainly opt for monetary tightening if the D-mark feels the backwash of further enthusiasm for the dollar.

Currency stabilisation

All this reflects disillusionment in the 1980s with exchange rate flexibility, which has been heavily downgraded in importance as an instrument of policy. In the case of the world's three largest economies, the arrangements for stabilising currencies are admittedly less formal than those under discussion by the European Community's finance ministers and central bankers in the South of France this weekend. But currency stabilisation does appear to have contributed to the durability of the economic recovery. Also to the more optimistic mood in stock markets, where continuing economic growth since the Crash has contributed to higher profits and declining price earnings ratios, thereby reducing the vulnerability of share prices.

That is not to say that everything in the garden is rosy. For Britain, which stands apart from the European exchange rate mechanism, the prospect for a soft landing looks increasingly uncertain. Against a background of declining growth in consumer credit, waning business confidence and now a fall in nominal house prices across the country, record car sales in August look freakish. And the extent of the decline in house prices is probably understated because hard pressed builders are offering financial concessions to shift their stock.

And while the global economic background remains favourable the political context is more problematic. The unravelling of a repressive political and economic structure in Eastern Europe is undeniably an uplifting event. But the risks involved in this overdue upheaval, especially for West Germany, may yet come to haunt the markets.

Lionel Barber reports on President Bush's efforts to counter illegal drugs

'A crisis of national character'

Like many of his predecessors, President George Bush has succumbed to a declaration of war early in his first term. For Lyndon Johnson, it was poverty; for Jimmy Carter, it was the energy crisis; and last Tuesday night, it was Mr Bush's turn to call for a war against drugs.

Under headlines of "A Nation under Siege" and "A Plague upon this Land," network television has responded to the President's call to arms with a blitz of news, analysis and dramatic pictures: bulky policemen in flak jackets smashing down the doors of an inner-city crack house; bloodied murder victims of the cocaine cartels in Colombia; and Mr Bush himself, cradling a four-month-old baby abandoned by her drug-addicted mother in Washington DC.

In peacetime, most Americans agree that drug abuse is one of the nation's most pressing problems: gross sales of illegal narcotics, at $110bn, amount to more than the country's total gross agricultural income, more than double the profits of all the Fortune 500 companies combined. In addition to the rapid rise in drug-related crime and sickness in the US, on-the-job drug use alone may be costing US industry and business some $60bn a year in lost productivity and drug-related accidents, according to the President's 150-page national narcotics strategy report released this week.

Yet for all the drama and rhetoric, Mr Bush's is a limited war, fought with modest means. He intends to ask Congress for authority to spend $8bn next year to combat drug abuse; this compares with almost $300bn for the national defence budget.

His goals are relatively modest, too (though some would say, in the light of Americans' proven appetite for drugs, eminently realistic). The President aims to cut by 10 per cent casual

On-the-job drug use may be costing US business some $60bn a year in lost productivity and accidents

drug use over the next two years, building up to 50 per cent over the next 10 years (well after he has left office).

In sum, says Mr Bush, this is a national strategy which relies on the co-operation of the Congress and the individual states who are being asked to enact new legislation and stump up a great deal of money. And yet it is a package which can be paid for, at a federal level, with existing funds, without the need for a Federal tax increase.

The initial conclusion must be that this is a strategy of containment. Mr Bush – who served in the Nixon administration – has no desire to repeat his former patron's ambitious assessment in 1973 that the US has "turned the corner on drugs". And so, along with his top drug policy official, Mr William Bennett, the rumbustious Education Secretary in the Reagan administration, Mr Bush is betting primarily on tough law enforcement – cracking down on casual users from Wall Street to Washington DC – to act as a firebreak.

The reaction this week was generally muted. Democrats argued that Mr Bush has short-changed education and treatment (which are receiving 30 per cent of the anti-drugs budget, compared to 70 per cent for law enforcement), and indicated they would like to spend more money. A more trenchant criticism came from Milton Friedman, the free-market economist who, in an open letter to Mr Bennett, invoked Oliver Cromwell's written words to the General Assembly of the Church of Scotland in 1650:

"I beseech you, in the bowels of Christ, think it possible that you may be mistaken," wrote Mr Friedman in the Wall Street Journal, in a plea for "decriminalising" drugs as a means of reducing the profit and the crime arising from the black market for narcotics. Mr Friedman, who forecast the failure of Mr Nixon's war on drugs in 1972, predicts a similar fate for Mr Bush's initiative in 1989.

The Bush/Bennett response to decriminalisation is outright rejection. The simple reason is that making drugs legally available, even in limited, government-controlled outlets, remains politically unacceptable in the US: a second argument is that it would send the wrong signal at a time when drug abuse among certain categories of the population appears to be falling sharply.

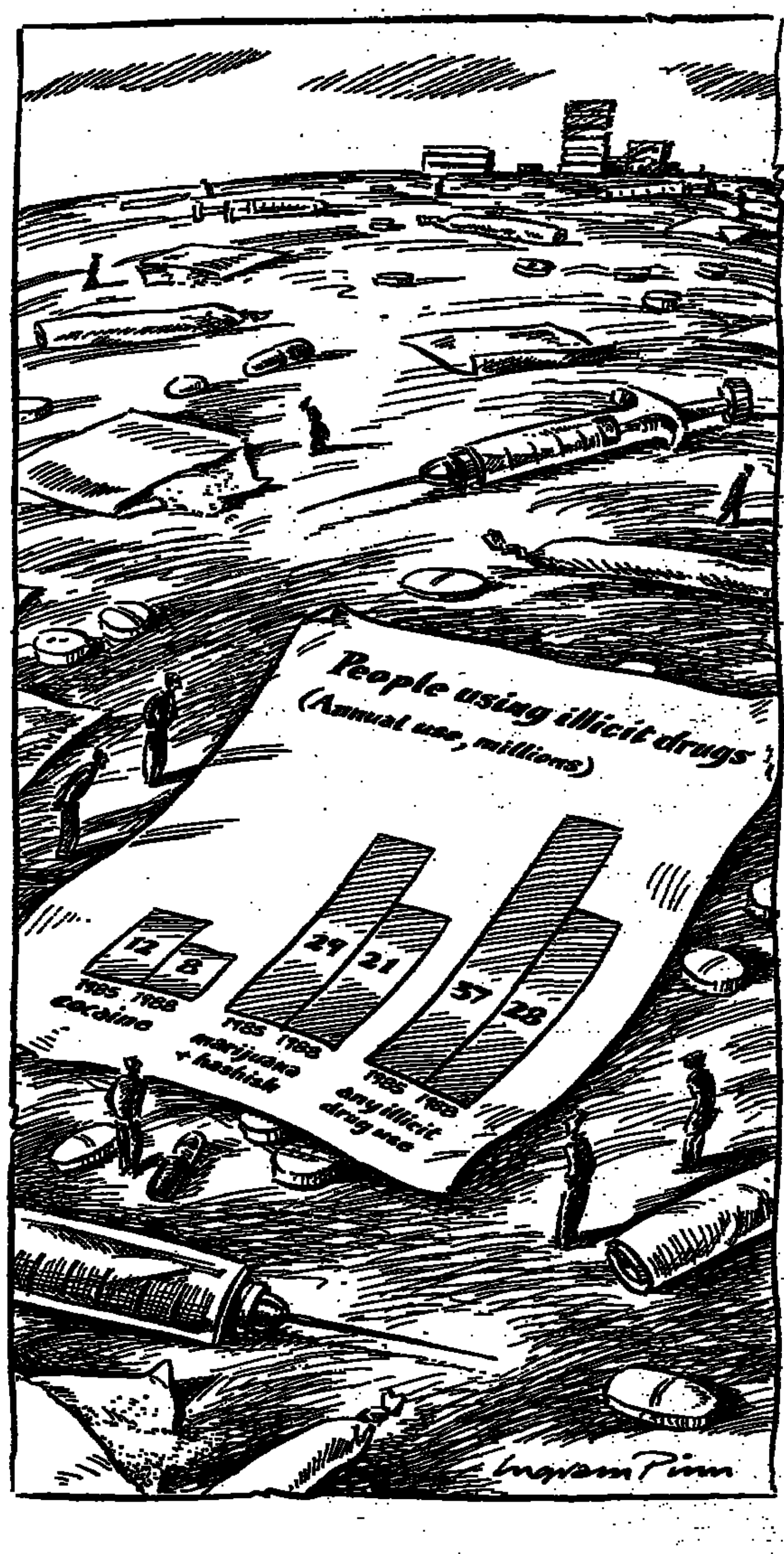
Last July, in the first comprehensive, national study of drug use patterns since 1985, the National Institute on Drug Abuse showed that the number of Americans using *any* drug on a "current" basis (that is, at least once in a 30-day period) had dropped 37 per cent: from 23m in 1985 to 14.5m last year. Current use of marijuana and cocaine fell by 36 per cent and 48 per cent respectively.

While far from conclusive, the survey indicates that the US may actually be winning the drugs "war". As the president's report notes, it is often élite segments of the population who first take to drugs which are then picked up and spread through "casual use" among ordinary working people. After a time, the drug's dangers are made widely known, and mainstream use drops sharply. Drug abuse in the US military, for example, has dropped from 27 per cent of the total armed forces in 1981 to five per cent today.

The problem is the next link in the chain: "The drug continues to slide further down the socio-economic scale," says the report, "and its chronic or addictive use eventually becomes concentrated among the most vulnerable of our citizens: young, disadvantaged, inner city residents." This means, in effect, the black population.

Crack – the cheap derivative from cocaine – is cutting a swathe through the black American community. A significant factor is that crack is cheap, between $5 and $10 per rock well within most people's price range; even more serious, crack, unlike heroin, is widely used by women. As a special Newsweek report on the drug crisis in Philadelphia commented last week: "If single-parent households have contributed to the intractability of poverty in the past, no-parent households may be poverty's appalling future."

Radical black politicians such as the Moslem leader Mr Louis Farrakhan are so horrified by this prospect that they publicly accuse whites of genocide. Others, such as Mr Kurt Schmoke, the eloquent Mayor of Baltimore, himself a former prosecutor, argue that decriminalisation must be the answer. Still others, such as Mr Charles Rangel, the New York Democrat who chairs the House committee on Narcotics, are pressing for a national tax increase to raise more funds for treatment, education, and law enforcement.



On Tuesday night, Mr Bush ended his nationwide address with the harrowing story of Dooney Waters, a seven-year-old who grew up in a crack house with a drug addicted mother. But Mr Bush has nothing to gain and much to lose by framing the drugs debate in racial terms, by suggesting the focus should be the black community. As Mr David Gergen, the former White House communications director in the Reagan administration warned: if the President targets inner-city blacks, he risks missing the white suburbs which are also a major part of the problem.

Mr Bush has therefore chosen an old-fashioned law-and-order campaign. He wants to double the money for new Federal prisons, where overcrowding is currently pervasive; increase the number of police and prosecutors; and put more drug users behind bars. Treatment for the more than six million addicts in the US is less generously funded, because as Mr Bennett conceded to reporters this week: "Some are going to die. And some will probably be wandering around. We don't know what happens to crack addicts five, six years out . . . It's clear you can't save everybody."

The wrinkle in the crime package is targeting the casual user – "to scare the hell out of the middle classes," as one official put it last week, citing with relish the prospect of making teenagers forfeit their fast cars, or encouraging newspapers to publish the names of convicted drug users. All the better, said another official, if a few high-paid baseball or football players can be hauled away in handcuffs. In addition, the presidential report recommends that states adopt legislation to set up "boot camps," to impose house arrest and community service on first-time offenders, and to suspend drivers' licences for one to five years.

At the same time, Mr Bush will seek to limit domestic demand by driving up, at least in the short-term, the price of cocaine on the open market. This will be achieved, officials believe, by disrupting the production and distribution of cocaine in the Andean countries of Bolivia, Peru and Colombia, which supplies 80 per cent of the US market (though one official admits he expects the cocaine trade in Colombia to relocate elsewhere in the hemisphere, possibly in Brazil or Venezuela)

President Virgilio Barco's crackdown against Colombia's traffickers has drawn praise in the US, particularly from Mr Bush. The dispatch of US helicopters, surveillance planes and military trainers is a recognition that the Colombians are engaged in a war against heavily-armed criminals where traditional policing is inadequate. Moreover, last Thursday's successful extradition of a suspected middle-ranking trafficker, Eduardo Martinez Romero, may signal a new, welcome level of co-operation between Bogota and Washington.

The Bush team argues that its ambitions in the drug war go beyond headline-snatching extraditions and interdiction to providing an economic safety net to compensate supplier countries. Peru and Bolivia could face losses of between $600m to $1bn in annual external earnings, should they agree to US demands to eradicate their coca crop and cocaine production.

The US has so far promised a $2bn Andean aid package to be made strictly conditional on crop eradication and anti-narcotics efforts. But these are modest sums. Just as in the case of Poland, Mr Bush intends to ask the Allies to put money where the American mouth is. Asked who else might help boost the Andean package, one official responded, "Japan, especially. They are the bank."

Enlisting international support for the war on drugs makes sense, say officials in Washington, because all nations are under potential threat. Cocaine is already entering Spain in large quantities, partly because of the historical and familial ties with Latin American producer countries. Crack is also viewed as a serious potential problem in Britain.

Yet the call for international assistance should not obscure what is at present still predominantly a problem of excessive American consumption. Mr Bush may be right to describe this in his report as a "crisis of national character"; but he has neither the will nor the money to recast Lyndon Johnson's War on Poverty. He has no intention of providing social services such as drug treatment on demand which some Democratic leaders today wistfully talk about – but then reject once mention is made of raising taxes.

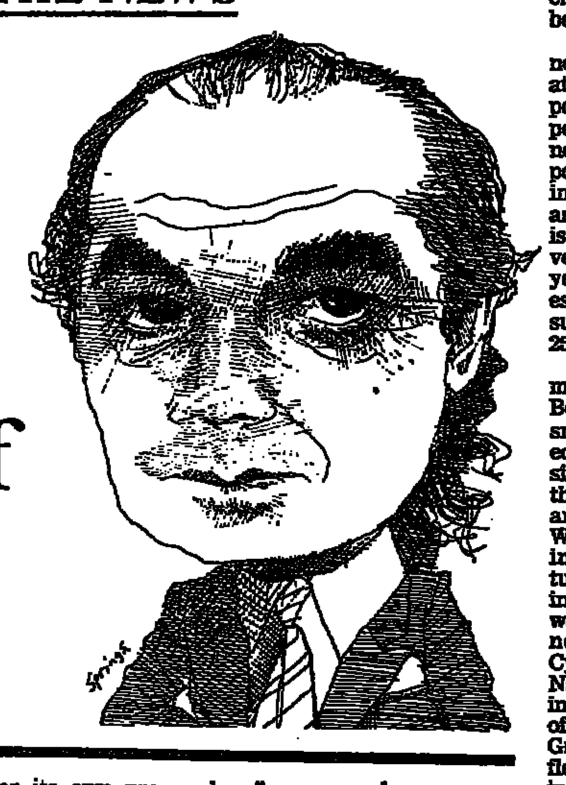
Yesterday, a Washington Post-ABC News poll suggested two thirds of Americans would support a tax increase to fund the war on drugs. Perhaps the national mood is shifting. But if it is, Mr Bush knows his goals are so modest that he can reckon on claiming some success the by the time he runs for re-election in 1992. This is, after all, a limited war.

MAN IN THE NEWS

Asil Nadir

Enigmatic figure reaches a pinnacle of influence

By David Barchard and Vanessa Houlder



Asil Nadir, the head of Polly Peck International, has long been one of the City's most controversial and enigmatic figures. But this week investors rediscovered their belief in his Midas touch. After a deal that makes Polly Peck the world's third largest fruit distributor, they pushed the company's share price up 38 per cent.

This extraordinary performance, taking Polly Peck to a market capitalisation of more than £1bn, may be a turning point for Mr Nadir's credibility. If so, it will vindicate his claims for his achievements: "We have done as much work in ten years as other people do in 20," he says.

There has been a parallel rise in Mr Nadir's influence in Turkey, where he has been building a rapidly growing newspaper empire. A Turkish Cypriot educated in Istanbul and a British citizen, he was until very recently regarded as a parvenu by the older Turkish industrial family groups; not a figure to be taken very seriously.

All that is now rapidly changing. Mr Nadir's Turkish companies have their headquarters in a stylish 19th century building in the heart of Istanbul. Mr Nadir himself resides in a *yalı*, one of the great wooden palaces on the Bosporus reserved in previous ages for Ottoman Pashas.

In just over a year, he is believed to have spent around £94m of his own money buying up three different publishing operations. He now owns two of Turkey's newspapers, *Günaydın* and *Güneş* as well as *Nokta*, Turkey's main weekly news magazine.

However his ambitions as a press baron do not stop there. Mr Nadir currently has his sights on Turkey's most influential daily newspaper, *Hürriyet*, though the likely cost of around £250m may stretch even his pocket. If he buys it, Mr Nadir's total market share of the Turkish press will be over 50 per cent.

Mr Nadir's papers generally back the ruling Motherland Party and Mr Turgut Ozal, Turkey's prime minister since 1983. Until he bought them, they, like most of the the rest of the press, were fiercely hostile to Mr Ozal, who is also unpopular with the voters.

To Mr Ozal, Mr Nadir undoubtedly looks like an unexpected ally galloping to his rescue. To ordinary Turks, who tend to regard Mr Ozal's days as numbered, the association is an oddity. For all that, Turks tend to concede that Mr Nadir is the nearest thing yet to a Turkish Onassis.

Less grudgingly, the City fell over itself this week to offer a welcome to Polly Peck's £577m acquisition of the fresh fruit business of Del Monte of the US. The purchase is seen as a good fit: Del Monte's strength in the US market for bananas and pineapples will complement Polly Peck's strength in citrus fruits in Europe, and Polly Peck will be able to use the well-known Del Monte brand name for its own produce. "It is a remarkable opportunity," declares Mr Nadir.

Investors and analysts largely agree. None the less, there remain doubts about the way Mr Nadir runs Polly Peck, sharpened by the exodus of senior executives over the summer. The climax was the resignation in June of Tony Reading, the company's managing director and a man highly-regarded by the City. This was apparently triggered by Mr Nadir's decision to downgrade Mr Reading's role in a restructuring of the board.

This reshuffle has revived worries that Mr Nadir is an autocrat, unwilling to take advice or disseminate full information about the operations in Turkey. "He doesn't quite go out and buy companies and then tell the board but it comes quite close," says one observer.

Nobody disputes that Mr Nadir is the dominant personality within Polly Peck. That much is clear from his intense, somewhat charismatic manner and what a former employee describes as his "messianic determination." He is a chain smoker who works around the clock, seven days a week. "I am workaholic. Work is my hobby," he says.

But Mr Nadir bitterly denies that he runs the company as a one-man band. "How could one man run all this?" he demands, sitting in his ornate Berkeley Square office, citing the scale of Polly Peck's activities.

The reshuffle was needed, he claims, because new businesses were being neglected. He plays down the importance of Mr Reading's resignation. "Tony Reading came into the company as managing director of operations," he says. "There was a perception that he was chief executive. I have always been chief executive."

The creation of Mr Nadir's newspaper empire has focused attention on the depth of his pockets. Rival Turkish newpapers believe that Mr Nadir's new press empire, mostly composed of traditionally loss-making publications, is costing him around £1.2m a month. But he is undoubtedly wealthy. A survey by the Sunday Times this year deemed him the 37th richest person in the UK, a claim supported by his ownership of 25 per cent of Polly Peck.

It is an impressive achievement for a self-made man. Born in Cyprus, the son of a small businessman, he studied economics at Istanbul University, then moved to England in the 1960s to join his parents and two sisters. He set up Wearwell, a rag trade business, in London's East End. The turning point for his business interests was 1979 when Wearwell started to manufacture in north Cyprus. The Turkish Cypriot government invited Mr Nadir to set up a local packaging plant to handle the produce of citrus groves abandoned by Greek Cypriot owners who had fled after the Turkish invasion in 1974. From there, it was a short step into the fruit export business.

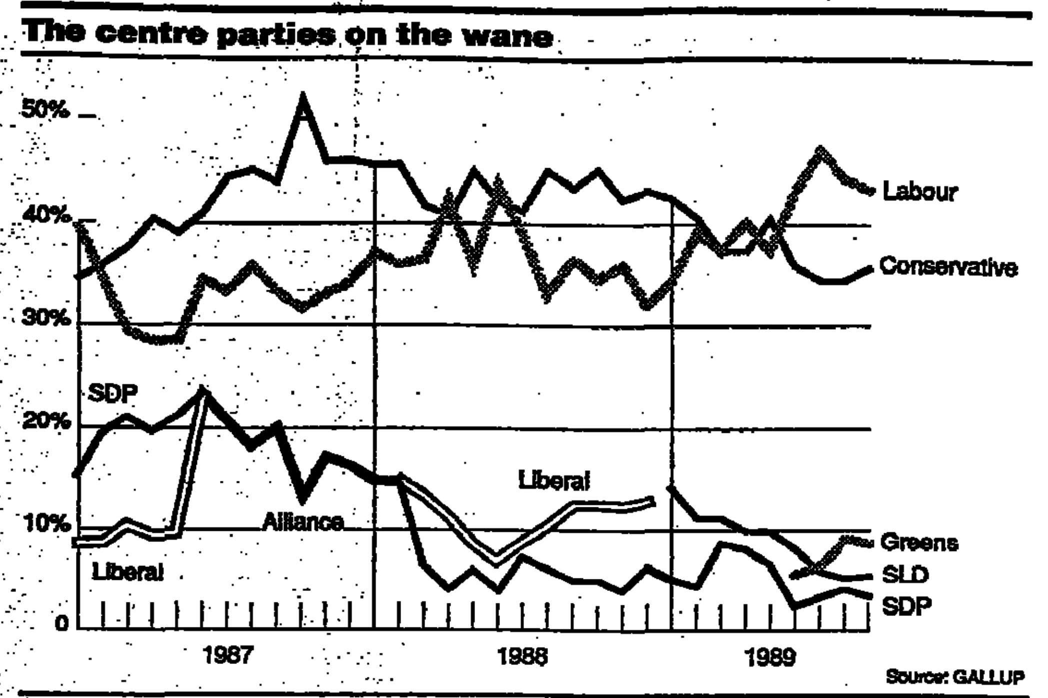
Given the Greek-Turkish rivalry on Cyprus, Mr Nadir has made enemies. His reputation has also suffered from disappointments at Polly Peck. This was never more true than in 1983, when the speculative bubble that had taken Polly Peck shares from 9p in 1980 to £35 burst and Polly Peck lost more than a quarter of its market capitalisation in 20 minutes. Yet more damage to Polly Peck's credibility was inflicted in 1985 when analysts' profit forecasts were missed by a mile.

Since then, the rehabilitation of Polly Peck's reputation has been a long, slow process. Mr Nadir now has the aim of becoming the biggest fruit distributor in the world; and he is set, in any case, to exert a powerful influence on Turkey's future in Europe.

Philip Stephens sets the scene for the Democrats' conference, which starts today

When the mould remains intact

The centre parties on the wane



The promised realignment of British politics in the 1980s has proved a mirage. The prospect that Mrs Thatcher's electoral juggernaut and civil war in the Labour party would allow a new centre party to "break the mould" has evaporated.

The Limehouse Declaration of 1981 – signalling the formation of the SDP – and those heady days in 1985 when the Alliance it formed with the Liberals briefly pushed Labour into third place are fading rapidly into history.

Instead, what the 1990s seem to offer is a return to the traditional landscape of two-party politics in which Conservatives and Labour battle for a large enough share of the centre ground to return one or other to Government.

The smaller parties will be left with a not insignificant protest vote, but one that wins them only a handful of seats, and little influence, in the House of Commons.

The above analysis – the conventional wisdom at Westminster – is one which the bruised Social and Liberal Democrat party, forged by the Liberals and the rump of the SDP after the Alliance's 1987 election defeat, will spend the next week trying to disprove.

But as its members gather today for their annual conference in Brighton there is little evidence beyond the public optimism of the party's leadership and the innate unpredictability of politics to suggest they will succeed.

A glance at the opinion polls shows the scale of the task. After their disastrous defeat in the European Elections last June – when their 6.5 per cent share of the vote compared to the 15 per cent captured by the tiny Green party – the Democrats have remained firmly in the political doldrums.

Support for the Greens has apparently diminished but the Democrats appear to have reaped less of the benefit than Labour. Even discounting a pick-up in support after the party's exposure at the conference, the polls point to a share of the vote for the Democrats of at best 10 per cent.

Mr Ashdown, who faces an orchestrated barrage of derision from both Conservative and Labour MPs each time he speaks in the House of Commons, has lost much of the shine which he displayed after his election as leader last year.

Some of the party's problems might be brushed off as transitory. Mr Ashdown cites the wounds left by the merger, and the inevitable but temporary difficulties in forging a clear identity for a new party.

Its identity crisis has been symbolised by the damaging internal argument over whether the party's short title should be Democrat or Liberal Democrat. That should be finally resolved next month when a ballot of the party's 82,000 members is expected to come down in favour of the latter, restoring the link in voters' minds with the Liberal party.

The guerrilla war still being conducted by Dr David Owen's remaining supporters in the SDP has meanwhile deprived the Democrats of what has traditionally been the lifeblood of third parties in British politics – by-election victories. That in turn has contributed to a falling membership and a sharp drop in the Democrats' income, forcing substantial cutbacks in its staffing and organisation.

But Mr Ashdown, who will deliver no fewer than four set-piece speeches at the conference in an attempt to revive his activists' flagging morale, also faces a much more fundamental problem.

The Alliance thrived on its image of a Thatcherite Government lurching further into right-wing extremism and a Labour opposition in the thrall of the Militant Tendency. It built it support among electors who wanted neither.

Now Thatcherism is beginning to soften visibly at the edges, a process that July's cabinet reshuffle looks likely to accelerate. Mr Kenneth Baker as party chairman and Mr Chris Patten at Environment are set to offer a more caring brand of Conservatism. More importantly, Labour's about-turn on its policies on defence, on the economy and on Europe, have underlined its determination to move decisively into the centre ground.

Mr Neil Kinnock, the Labour leader, may continue to face problems over his party's relations with the trade unions. But its performance in the European elections and the evidence of the opinion polls suggest that the shift is convincing large numbers of erstwhile supporters of the Alliance. The process will continue next year as Mr Kinnock further distances Labour from the unions.

Mr Ashdown agrees that there is no longer any mileage to be had in simply "splitting the difference" between Mrs Thatcher and Mr Kinnock.

While the centre vote has been squeezed, the emergence of the Greens has created a new rival for the "anti" or protest vote which the old Liberal party could rely on.

The Democrats' response this week will be try to create a new, distinctive image which will win positive support for the its policies rather than simply attract disaffected supporters from their rivals.

Mr Alan Beith, the party's economic spokesman, insists that there is much in the radical, reforming tradition of the old Liberal party for the Democrats to draw on. Its internationalism, its support for devolution and it emphasis on both the rights of individuals and on shared community values are among them.

This week he produced a distinctive new economic strategy combining a firm commitment to a federal Europe with a series of domestic policies to break down the still rigid barriers between capital and labour in British industry.

More broadly, Mr Ashdown has sought in a book published this week* to map out the ground on which the Democrats will fight the next election.

Its aim is to contrast the "centralist" and "corporatist" instincts of the Conservatives and Labour with a set of policies aimed at defining a new concept of "citizenship".

It embraces electoral reform, devolution of power throughout society, the establishment of a basic minimum income, and a broad system of rights and entitlements to provide the balance between individual freedom and social justice.

Essential services like education and health, Mr Ashdown says, would be provided by "the market where possible and the state where necessary".

There are a number of potentially attractive ingredients. An emphasis on enhanced rights for the consumer, on environmentalism, and on pushing aside ideological disputes over public and private ownership appears to run with the grain of popular sentiments.

The problem for Mr Ashdown and his supporters is that the two major parties are already dining *à la carte* from the same menu. Labour's about turn-on on privatisation, Mrs Thatcher's green conversion and the Conservatives' own promotion of "active citizenship" are a few examples.

The Democrat ideas, like many of those published in the party's consultation papers over the past year, also remain as yet just that – concepts rather than firm policies which can be packaged succinctly on the nation's doorsteps.

The party has also to address the central issue of how it can restore their fortunes to a level which would give them some credibility as a third force. A majority of the party's 19 MPs insist there can be no electoral pact with the SDP along the lines advocated by Dr Owen.

But if Dr Owen has conceded that the SDP can no longer be a national political force he has also proved that he can deprive the Democrats of the by-election victories they desperately need.

Mr Ashdown appears for the moment to be basing his hopes for a revival on a radical shake-up of the party's organisation and campaigning techniques and on the inevitably fluid nature of the popular mood mid-way through a parliament.

Neither of those, however, offer any immediate prospect of shaking the conventional wisdom.

**Citizens' Britain, published by Fourth Estate, £5.95*

An old order changes as the pace quickens

Terry Dodsworth reports on the restructuring of the European electronics industry

The imminent demise of an independent Plessey, now in the last throes of its bitter 10-month defence against take-over by the General Electric Company and Siemens, means a sweeping change in the structure of the UK electronics industry. But it also heralds a crucial new phase in the development of a handful of European high-technology sectors, from telecommunications and defence, to semiconductors, computers and consumer electronics.

Lord Weinstock, GEC's managing director, referred to this evolution in Europe yesterday when he said that the Plessey take-over had given the company the chance to break out of the constraints placed upon its expansion in the UK. Indeed, GEC's alliance with Siemens, West Germany's premier electrical and electronics group, is the first substantial example of the sort of agreements which are expected to accelerate over the next few years as companies seek access to each others' markets.

This restructuring is a product of an era in which industry is being forced to adjust to a European scale of activity. Until a year or two ago, the main emphasis of reorganisations among electronics companies was at a national level. Most of the main market sectors were closely controlled by state or para-state bodies, with manufacturing organised around these buyers. But this structure is breaking down under the assault of rising research costs, the need for overseas sales, and increasing political pressure to eliminate trade barriers in Europe.

In their initial attempts to respond to this changing environment, European companies are being hampered by the fact that most of their competitors in the region are relatively impervious to take-over. Some companies, such as Thomson of France, are nationalised; many of the others, including Philips of the Netherlands, and Nixdorf of West Germany, have shareholding structures that are virtually impregnable to an unwanted outsider. But these impediments will at the worst only delay moves towards European integration.

● In the computer industry, for example, the Europeans are now faced with a market in which it is no longer possible to maintain revenues from an assured base of Government clients. Prices are continuing to fall rapidly, and the market shift to common computer operating standards is generating fierce competition – factors behind the deteriorating financial position at Nixdorf in West Germany and Norsk Data in Norway.

● Telecommunications has now gone through an initial round of reorganisation into companies that have sufficient financial resources to develop the next generation of large public exchanges. But at the same time the extraordinarily rapid expansion of mobile communications is forcing companies to form cross-frontier manufacturing and marketing organisations. The infrastructure for these services is being designed on a European basis; and the cost of equipment development, much of which will be brought to market in a fraction of the time normally taken in telecommunications, is making it impossible for companies to go it alone.

● While defence electronics is less subject to market pressure than other parts of the industry, manufacturers are being forced to look for ways of reducing costs because of reduced Government expenditure. Reorganisation has been accelerated in France under the Thomson banner, in West Germany under Daimler-Benz, and in the UK through the Plessey take-over by GEC. But all of these companies will be using their stronger domestic base as a bargaining counter in forthcoming international alliances.

● In semiconductors, the take-over of Plessey opens up the prospect of a further phase of rationalisation through the amalgamation of the group's chip activities with those of its new owners. Semiconductor production, one of Europe's weakest areas of electronics activity, has already gone through a radical shakeout in the region, mainly through the creation of the SGS-Thomson-Inmos group, a company bringing together assets in Italy, France and the US. But many industrialists believe there needs to be further restructuring between the three main players – Philips, Siemens and the SGS activities.

● The European consumer electronics sector, which has suffered more heavily from international competition than most other sectors of the industry, has also gone a long way towards reorganising itself on a regional scale. Thomson has expanded in the US television industry through the take-over of RCA, Philips moved in to West Germany at Grundig, and Nokia taken over ITT's television interests in Europe. But the strength of Japanese companies in this sector has made profits so exiguous that the big companies may be forced into another round of changes.

The restructuring that has occurred so far has already made the European industry more confident than seemed possible in the early 1980s. Some of this rebound undoubtedly derives from the help that has been given to indigenous producers by anti-dumping actions in several of the more competitive areas of the industry. But the new areas of growth that are now attracting the most attention – mobile telecommunications, software, systems design and open-system based computing – are all sectors where speed of market reaction are paramount; and the Europeans now recognise that they have to put appropriate structures in place to deal with this.

Semiconductor production has already gone through a shakeout

The restructuring has made the European industry more confident

LETTERS

EC 'own initiative'

From Mr David Thorn.

Sir, Tim Dickson's interesting article, "Political impetus builds behind hopes for free market in insurance" (September 5), refers to the Commission's first step towards freeing life insurance services in the European Community – the "own initiative" proposal.

As Mr Dickson suggests, this is very restricted, because it only enables life companies to provide services in other member states, on the basis of their "home" country authorisation, if the customer approaches the company on his/her own initiative.

Your readers should also know that even this small step forward will be hobbled by a provision blocking the ability of life companies to advertise in another member state without being authorised in that country. The European consumer body, BEUC, has complained that the advertising provision would unduly restrict the availability of information to consumers about products on offer in other member states.

D.B. Thorn,
TSB Group,
PO Box 33,
25 Milk Street, EC2

Points scored

From Mr C.G. Torrance.

Sir, The recent Universities Funding Council (UFC) research selectivity exercise gave research rankings for all UK universities. Unfortunately the UFC did not bow to the inevitable, and issue a definitive league table. None of the rankings published in the press were the same – though LSE was in every "top six."

An "official" UFC table would have shown rankings weighted according to the number of staff in each unit of assessment. Because institutional scores are made up of rankings of subject areas, it is important that the relative size of these is taken into account. On the basis that 100 per cent is the maximum LSE could have scored, an unweighted rating gives a percentage of 83.8 per cent; a weighted rating gives 90.3 per cent.

C.G. Torrance,
London School of Economics and Political Science,
Houghton Street, WC2

Pressures on the countryside

From Miss Marigold Coleman.

Sir, Happily, the need to protect the British countryside is not such a "curiously neglected area" (Leader, September 5). Among other initiatives, the two-year Future Countryside programme, run by the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA), attempts to propose some answers to the problems of strategic decision-making by asking three questions:

● Why is the countryside important?

● What sort of countryside do we want?

● How do we get there?

The programme was inaugurated in March 1988 with a lecture by the Duke of Edinburgh at the RSA, followed up with a conference, "Setting the Agenda," last November. A series of six specialist working seminars examining key areas of the countryside debate will feed their conclusions through to a big conference next May. (Our newsletter is available for any readers interested in following the discussion.)

The pressures on the countryside are many, the problems of present policy-making may seem intractable, but the British countryside is not being neglected in the green debate.

Marigold Coleman,
RSA,
8 John Adam Street, WC2

From Mr J.D. Rhodes.

Sir, Mr Hayes's letter (September 1), is timely. The dreadful racket endured by residents within earshot (a good description) of the Chichester to Havant section of the new A27 is certainly hard to justify. Previously quiet, pleasant and unspoilt places like Lumley Mill at Emsworth are now wrecked beyond redemption.

The Ministry is silent – no matter how many times one asks – about the justification for the road; in response to such questions the authorities drone about placebos such as double glazing or noise barriers. How do you double-glaze your garden?

Presumably the road helps families to save 10 minutes or so when visiting Grandma, and no doubt it helps with efficient distribution of deficit-financed imports into the UK. But if we must have it, it should employ sufficient resources to reduce impact on the environment to the minimum.

J.D. Rhodes,
3 Silvertrees,
Emsworth, Hampshire

Takeover techniques may put off small investors

From Mr Reginald Webster.

Sir, Present takeover technique – where a share exchange is ruled out and the investor is forced to take cash or cash plus loan notes – is causing irritation among smaller shareholders ("Fair shares," Letters, September 2). Taken over a few years, the effect of this type of takeover will mean a fall in the number of direct investors. The City should take note.

Unless rights issues are very tempting they may not be taken up, nor will new shares in lieu of dividends be looked upon with favour. Many want direct investment in companies, but if takeovers continue to take their present form, more and more investors will turn to unit trusts or investment trusts, where they can escape the takeover hassle.

Those keen on wider share ownership should be giving the matter serious thought. My response is to ignore direct investment in companies in future and favour unit trusts and investment trusts.

Reginald W. Webster,
1 Longstanton Road,
Over, Cambridge

Doubts cast on PEPs

From Sir John Sykes.

Sir, Mr Robert Howes, writing about PEPs (personal equity plans), points out the financial danger of intermediaries: their charges can soak up more than the dividends arising from the shares (Letters, August 19).

He did not say that intermediaries also make a profit with the commissions on buying and selling within the PEPs. Most obnoxious of all could be a drop in value – by selling some of the holding of shares/units simply to pay for their yearly charges.

Here are the figures for a PEP of mine; they illustrate the point that we may be investing for the well-being of the PEP promoter.

● October 1987, investment £2,440.

● Dividends plus interest, £133.29 (5.46 per cent).

● Charges £125.51 (5.14 per cent).

● Return: 0.313 per cent for 18½ months.

● Now the crunch: paper loss on shares, £366.12 (15 per cent)

If I were to close: with commission, closing free, and annual charge this loss would rise to over £400 – getting on for 20 per cent.

It seems to me that the promoter should not be able to charge if the shares have not performed, and should give a guarantee that the original capital sum will always be returned. We must not forget that the promoter has selected the shares and should have confidence in them.

John Sykes,
58 Alders View Drive,
East Grinstead, West Sussex

From Mr R. Moyes.

Sir, So PEPs are a good thing for the small investor? How small is "small"?

I took a minor plunge with Barclays last October, investing £800.00 to see what would happen in a year. This sum was placed in Glynwed (optimistic future), with 127 at 283p; and Ensign (aggressively managed) with 481 at 75p.

Management and stamp duty charges so far have been £66.20. Dividends and interest have amounted to £17.18. Current value gross of Glynwed is 313p, and Ensign 99p, so that my investment now stands at an additional 12.5 per cent gross.

If I had invested in M&G Far Eastern and General at about the same time, my current investment would have increased by 28 per cent plus after tax and commission. A similar investment in British Steel would have yielded equivalent results.

By the way, I did invest in those bargains. I am disposing of my PEP.

R. Moyes,
6 Broadfields Road,
Gislingham,
Eye, Suffolk

'Most people will benefit'

From Miss Mary Georghiou.

Sir, Joe Rogaly's article, "Trust us, we are the Labour party" (September 1) should be read by every Labour party delegate and decision maker before the annual conference in Brighton next month.

In the conference agenda, just published, over 40 organisations have indicated, in their resolutions and amendments, eagerness to consider electoral reform. After 10 years of "radical right" government, many Labour party members no longer want to operate a system which might allow them, too, with minority support, to impose their absolutist decision-making on minorities (even majorities) in the population who disagree with them.

In order to convince people who have previously voted for other parties, Labour has to be seen to be putting democracy before its own party interest. A positive vote, calling for the party to consider support for the present first-past-the-post system, is possible.

The debate can then take place inside the party, so that by the next general election Labour is the only main party with a chance of forming a government willing to change the electoral system.

Rather than tactical voting (which we had in 1987), or official pacts between parties which no party leader can endorse, the non-Conservative parties should call a truce. Most people, even Conservatives, will benefit from removing the distortions of the present system. Non-Labour/non-Conservative supporters in Conservative-held constituencies, who want a voice in Westminster, need to recognise that the Labour party is the only vehicle for electoral reform. The alternative is to continue with the salami tactics of dividing up still further the non-Conservative vote.

In one election – the next one – it will be necessary to vote Labour to get electoral reform. After that we will create a system which allows people to vote for their local representative and indicate their preference for government and its direction – something the first-past-the-post system lamentably fails to deliver for most people.

Mary Georghiou,
37 Millfield Road,
York

Thorn sells Kenwood to management for £55m

By Christopher Parkes, Consumer Industries Editor

KENWOOD, one of Britain's best-known small kitchen appliance makers, has been sold to its management by Thorn EMI.

The deal, backed by Candover Investments, Britain's only quoted management buy-out specialist, involves a £54.6m cash payment and a £1.9m subordinated loan note in the acquiring company.

Thorn will retain an 8 per cent stake in Kenwood and also have an option on a further 2 per cent.

The sale is the first transaction for The Candover 1989 Fund, the largest dedicated buy-out fund yet raised in Europe, which attracted £319m earlier this year from UK, US and Japanese investors.

The deal takes Thorn a further step towards its aim of focusing on three core businesses: lighting, rental and music, and may also mark the start of a further structural shift in the European small appliances business.

Mr Timothy Parker, Kenwood's 34-year-old managing director, said yesterday that he was aiming for a stock market flotation within 3½ years.

As soon as the business settled down he wanted to start expansion and would be looking for companies to buy. Although Thorn had recently invested £9m in modernising production at Kenwood's two factories in Havant, Hampshire, and the Isle of Wight, it had been reluctant to fund acquisitions, Mr Parker said.

Other companies had been "gobbling up" brands, but there were still more than 50 small appliance makers in Europe, he added.

He also wanted to make more of the Kenwood name, and would be looking at gadgetry, plastic products and other kitchenwares.

One of his first jobs would be to increase efficiency. "We shall be keeping the bodies making things," he said. "It is more common in these situations to find changes at the management level."

Kenwood made a trading profit of £4.1m on sales of about £63m in the year to the end of March. Mr Parker said he aimed to raise return on sales to around the 15 per cent level enjoyed by SEB, the French group, and Britain's Pifco Holdings.

Kenwood's return on sales was "virtually nil" when he took charge three years ago. "This is a good game if you are efficient," he added.

Known for Tefal housewares, SEB recently acquired the Rowenta small appliances business from Chicago Pacific of the US. Pifco, which last month announced pre-tax profits of £2.85m on sales of £21m, sells Pifco, Salton and Carmen branded products.

Cornerstone of the Kenwood business is the Chef foodmixer, a 40-year-old concept, which retails at about £120. The range has been extended recently to include more fashionable food processors. Irons and toasters will join the line-up next February.

About 70 per cent of group sales are made overseas. The brand is well-known in Australasia and Europe, and recent efforts to break into the US have raised sales there to about £2m a year.

Kenwood has appointed Mr Harold Morgue, former vice-chairman of Thorn, as non-executive chairman. Mr Doug Fairservice will represent Candover on the board.

Kenwood was put up for sale in June, along with Thorn's defence electronics and gas meter businesses. The meter operation, the group's seventh large disposal in less than four years, was sold almost immediately for £63m.

The appliance business is understood to have attracted considerable interest from competitors, US companies and groups of people seeking management buy-in opportunities.

WCRS scotches rumours of a bid

By John Ridding

WCRS Group, one of the UK's largest communications companies, announced yesterday that it is involved in negotiations with major European communications groups concerning a restructuring of its advertising and media buying activities.

The result could mean that WCRS will take control of Carat Holding, Europe's largest independent media-buying group and that Eurocom, one of France's largest advertising companies, will increase its stake in WCRS Worldwide, the advertising arm of WCRS.

The announcement came in a statement which discounted rumours that WCRS had received a bid approach or had been the target of stake building. Speculation on these points had sent the share price soaring from 280p to 370p since September 1, but after yesterday's statement shares slipped back to 350p.

Ms Adele Biss, director, said that the negotiations concerned the restructuring of shareholdings in WCRS Worldwide, which could involve the reduction of WCRS's 80 per cent holding. But she added that "it is not our intention to exit from advertising."

She declined to comment further, but analysts believed that Eurocom, which currently holds 20 per cent of WCRS Worldwide will raise its stake, possibly above 50 per cent.

WCRS Worldwide has billings of about $2bn (£1.29bn), making it the world's 14th largest agency. Principal clients include Pan American Airlines, Johnnie Walker and Lego.

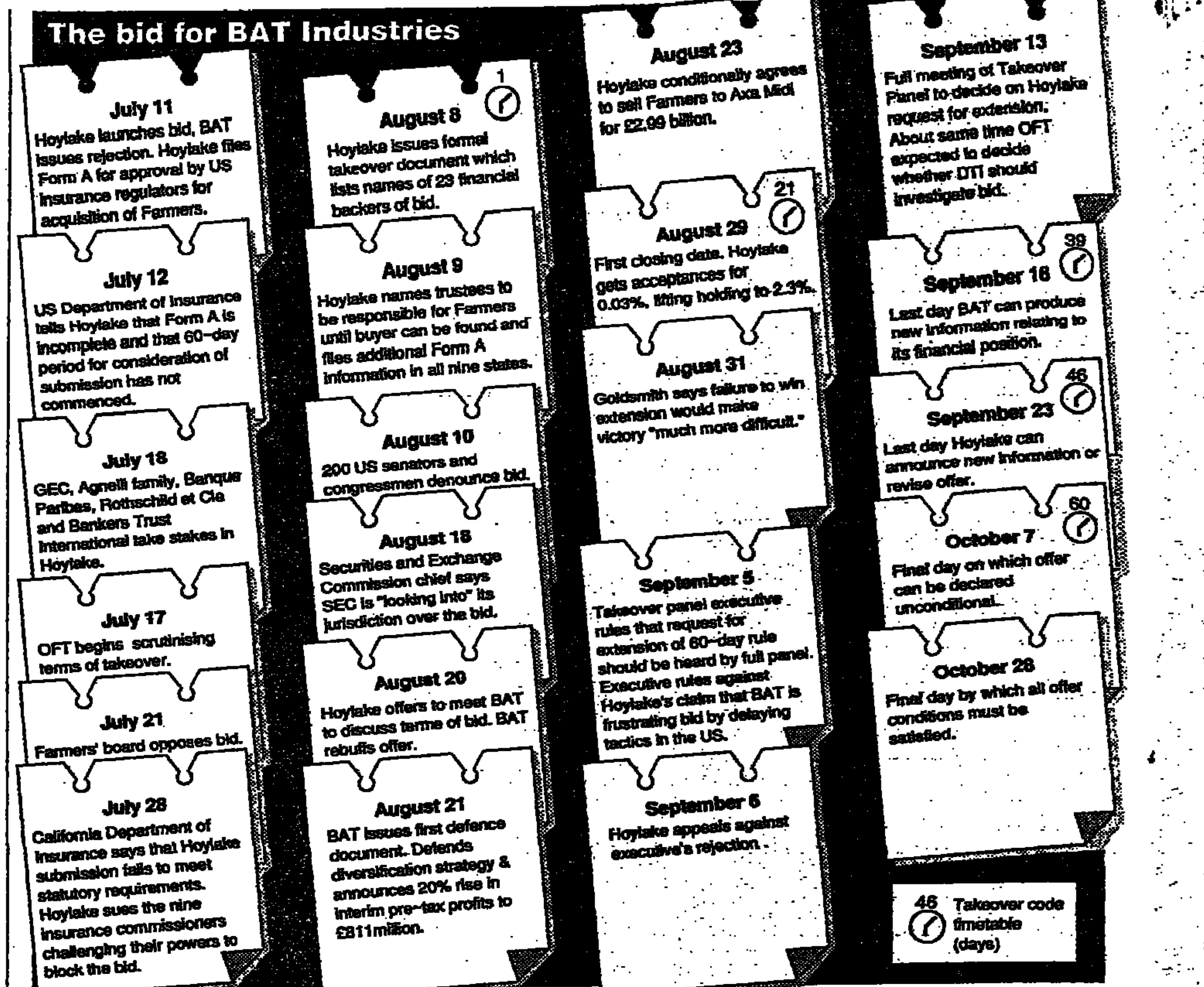
A second set of negotiations concerns the increase of WCRS's 50 per cent stake in Carat Holding. Carat is a fast-growing private company. Its clients include BMW, Coca Cola and Colgate Palmolive.

Mr Mark Sheppard, agencies analyst at UBS Phillips & Drew, said that such a move "would seem to make sense." He forecasts a fall in profits for WCRS Worldwide for the year to June 30 1989, because of increased investments, but says that "Carat is storming forward."

One of the problems of a reorganisation along these lines involves the financing of the deal. WCRS has debts of about £70m and Carat is valued more highly than WCRS Worldwide. Mr Shepperd estimates that Carat could be worth up to £400m, compared with £70-£80m for WCRS Worldwide.

One possibility involves the unlocking of Carat's value through a flotation, possibly on the Paris bourse.

The bid for BAT Industries



THE LULL in the takeover battle for BAT Industries will be shattered next week when the Office of Fair Trading and the Takeover Panel make rulings which will help to determine the outcome of the Hoylake consortium's bid, writes Ray Bashford.

Both sides spent much of this week preparing their cases for submissions before the Takeover Panel next Wednesday and senior figures in both camps were reluctant to comment for fear of prejudicing their positions.

The Panel's executive ruled this week that Hoylake's submission requesting an extension of the 60-day timetable for the bid should be referred to the full Panel. However, the executive dismissed the Hoylake submission that BAT was frustrating the bid by employing delaying tactics in the US where Hoylake is attempting to gain approval for the acquisition of BAT's Farmers insurance subsidiary.

Hoylake has appealed against this ruling and next Wednesday's meeting will also consider this petition.

Hoylake has asked that the Panel waive the usual rule that unsuccessful bidders must wait 12 months to renew their attack on a takeover target. If this request is granted, Hoylake proposes to allow the current bid to lapse, pending receipt clearance from the US insurance regulators in nine states for approval of the Farmers purchase.

Hoylake has become bogged down in the US and has failed so far to have its Form A – a dossier which provides detailed information on the ownership and financial position of companies seeking to acquire insurance companies – accepted in any of the nine states.

The sticking point is the states' request for further detail on the financial position of several Goldsmith companies. Hoylake says the authorities are exceeding their powers in demanding this information and further claims it is irrelevant because Axa Midi, the French insurance company, will be the ultimate owner of Farmers under a deal struck between them.

The Panel is likely to take several days hearing the submissions from both sides. However, the Panel could be spared a decision on either of the questions if Sir Gordon Borrie, Director General of the OFT, recommends that the takeover be referred to the Monopolies and Mergers Commission, which would freeze the situation for three to six months and leave both sides free to explore other options.

The OFT is expected to announce its recommendations on Monday or Tuesday.

As Hoylake's intention is to break up BAT there would be little reason for the OFT to recommend a reference on the grounds of competition at this stage. However, the highly leveraged nature of the bid could lead to an MMC inquiry as it did when Elders IXL, the diversified Australian brewing group, made a leveraged bid for Allied Lyons.

Molins slips the net again

Ray Bashford

IEP SECURITIES, the UK investment vehicle of Sir Ron Brierley, the New Zealand businessman, has failed for a second time to takeover Molins, the cigarette machinery manufacturer.

Acceptances for only 0.7 per cent of the capital were recieved by the close of the offer yesterday, lifting IEP's stake to 34 per cent. This includes 4.2 per cent of the capital which was acquired during the course of the bid.

Molins shares eased 4p to 225p following the announcement of the bid's failure. This compares with IEP's revised offer price of 230p.

Another company controlled by Sir Ron Brierley failed in a takeover attempt on Molins in July 1987 with an offer of 300p a share.

Mr Stuart Mitchell, the head of IEP's UK operations, said he was considering several unspecified proposals which had been received for the 34 per cent holding.

"We are surprised and dismayed that shareholders fail to appreciate the urgency of changes needed to avert permanent decline in Molins' major tobacco machinery business," Mr Mitchell said.

Lewis's group increases its interest in A Goldberg

By Andrew Hill

Fletsand Investments, the investment company which owns Lewis's department store group, yesterday increased its holding in A Goldberg, the Glasgow fashion retailer, and rejected accusations that it did not provide an alternative to the hostile offer from Blacks Leisure.

The increase in the Fletsand stake – from 1.05 per cent to 1.35 per cent – coincided with the publication of Goldberg's second defence document.

The all-share bid from Blacks, a retailer of sports and camping goods, closes on Tuesday.

Mr James Fyfe, Fletsand's chairman, pointed to "corporate restructuring, key management appointments and a sound investment programme" which he said had "considerably enhanced Lewis's business".

The same strategy would offer a real opportunity to Goldberg shareholders, he said. Fletsand has ruled out a counter-bid, but will reopen talks with Goldberg if the Blacks bid lapsed.

Mr Simon Bentley, Blacks' chief executive, said Goldberg's latest defence, which criticises Blacks' "thinly-veiled asset stripping programme", added nothing new to the debate.

He said there was no basis for Goldberg's suggestion that Blacks would sell half of the target's stores.

Dissident shareholders block Durrant resolution

By Ray Bashford

DISSIDENT SHAREHOLDERS in Goode Durrant, the industrial and financial company, yesterday blocked a special resolution at the annual meeting which would have altered the board's power to police the company's share register.

The opposition was led by Winnedael, the largest shareholder with 15 per cent of the capital, which last July was rebuffed in attempt to gain board representation.

Winnedael, headed by Mr Tim Nash, claimed that the resolution would give excessive authority to the board, including changed powers to disenfranchise shareholders and withhold dividends.

Mr Michael Waring, Goode Durrant's managing director, rejected the allegation and said the resolution would bring the company into line with current Stock Exchange practice.

The resolution would have given the board powers to take action if shareholders did not comply with requests under Section 212 of the Companies Act to identify those behind nominee shareholdings.

Winnedael told the meeting that over 30 notices had been served on interests associated with the Nash family.

Goode Durrant said notices had been served on groups in South Africa, Switzerland, the Netherlands and several tax havens to discover Winnedael's ultimate ownership. "The response to these has failed to reveal who really controls the Nash family interest and who financed the unsecured loans of £12m-£13m to make the investment in Goode Durrant".

River Plate disposal

River Plate and General Investment Trust has sold its 31.89 per cent holding of shares and warrants in TR Australia Investment Trust. Other institutions with shareholdings of about 4 per cent have also disposed of their stakes.

River Plate had strongly objected to TR Australia's intention to change its investment policy and to concentrate on higher-yielding far Eastern stocks. It voted against the company's proposals at an extraordinary general meeting last week but was defeated.

The shares were placed with several of County NatWest's institutional investors at a price of 92p per ordinary share.

Norton urges acceptance of bid

Norton Opax, the print and packaging group, will today send shareholders a letter urging them to vote in favour of Norton's hostile offer for banknote-printer De La Rue at a special meeting next Friday and condemning the interference of Bowater Industries.

Thames TV expands in Australia

By John Ridding

THAMES TELEVISION, the UK's largest ITV contractor, has acquired a 10 per cent stake in Northern Star Holdings, which operates the troubled Network Ten station, one of Australia's three commercial stations.

Thames said the stake, which will cost A$13.3m (£6.55m), is a trade investment. But it reflects Thames's strategy of diversifying into TV-related businesses ahead of the competitive tendering for UK franchises at the end of 1992.

In the year to June 30, Northern Star made losses of A$14.4m. Since then, Westfield Group, its principal shareholder, has sold its 52 per cent stake.

Northern Star's Melbourne and Sydney television stations were bought by Broadcom, an independent production house controlled by AFP, a company which already runs Gestetner in the UK.

The crackle of activity is no longer static

John Ridding tunes in to the implications of a deregulated commercial radio sector

CROWN Communications' attempt to take a 29.99 per cent stake in Chiltern Radio seems small beer in today's environment of megabids.

The offer values Chiltern at a mere £7m and Mr Peter Burton, Chiltern's chairman, readily admits: "We are hardly Radio 1."

But Crown's approach is only the latest step in a bout of mergers, acquisitions and stakebuilding in the previously dormant commercial radio sector.

The rapid growth of advertising revenues and the prospect of industry deregulation has prompted larger commercial radio companies to consolidate their positions and expand their ownership and investments towards the limit of present Independent Broadcasting Authority regulations.

Over the past 18 months, the sector saw its first hostile bid when Miss World Group (soon to be Trans World Communications) acquired Piccadilly Radio. Trent Radio has merged with Midlands, Great Western Radio has taken over Consolidated Radio Holdings and Southern Sound is to merge with Ocean Sound.

Crown itself owns LBC, London's talk station, and has stakes in 12 other radio companies, including its current 10 per cent holding in Chiltern.

A number of players from outside the sector are also wanting to join the show. A new London FM licence which was advertised earlier this year attracted a record 32 applications including proposals from Yorkshire Television, Hanson, and Mr Richard Branson's Virgin group.

Mr Nigel Walmsley, managing director of Capital Radio, explains such activity as "a statement of self confidence in the industry". This confidence is partly based on the sector's recent performance. Last year, radio was the fastest growing advertising medium, increasing revenues by 25 per cent to £139m.

The high fixed costs of the business mean that increased revenues quickly show up at the bottom line. Profits have soared and so have share prices. The six commercial radio companies quoted at the beginning of June 1988 have increased their share prices by an average of 127 per cent since then compared with 30 per cent for the All-Share Index.

More important, however, is the feeling that the sector's growth is sustainable. Mr Mark Astaire, broadcasting analyst at Hoare Govett, estimates that radio will increase its share of total UK advertising spend from the current level of 2 per cent to about 5 per cent by the middle of next decade.

Deregulation lies at the root of such predictions.

Current regulations limit the number of independent radio stations to about 50. Moreover, commercial radio companies are restricted to owning stations which broadcast to a maximum of 15 per cent of the potential nationwide independent local radio audience. There is a "secondary ceiling" whereby each company may take stakes of up to 29.99 per cent in others, providing that they do not breach the 15 per cent limit.

How the ownership rules will change under the new regime is far from clear. But what is certain is that there will be a proliferation of new stations. The Government white paper on broadcasting proposes three new national commercial channels, probably awarded through a competitive tender.

Plans for an additional 20 stations are already underway and the IBA, which will itself be abolished, estimates that there will be more than 100 new local stations.

The increased number of franchises will present advertisers with a means of targeting particular audiences. In contrast with the present situation where stations generally broadcast relatively similar output, the more specialised stations will deliver specific age, social and geographical groups.

The first step to have been taken in the process of deregulation is the splitting of radio frequencies. Until last year, commercial stations had to broadcast the same output on both their FM and AM bands. Now, most larger stations use the two bands separately to reach more specific audiences.

For Mr Alan Mullitt, managing director of Beacon Radio, which broadcasts from Birmingham to the Welsh border, this is an important step. "Overheads can be shared and there doesn't need to be much increase in your news team or support staff."

Initial results are encouraging. Figures from Capital Radio, one of the first to introduce split frequency broadcasting, show a 27 per cent increase in its collective audience.

Radio will also continue to enjoy cost advantages. Mr Chris Akers, broadcasting analyst at Citicorp Scrimgeour Vickers estimates that the average cost per thousand listeners is about one-quarter that of comparable rates on ITV and Channel 4. In addition, the formation of larger groups such as Trans World, GWR and Yorkshire Radio Network is leading to more professional audience research.

Bulls of the commercial radio sector also point to the international experience. In the US which has over 10,000 commercial stations, radio captures about 7 per cent of total advertising spending. In France, with about 1,000 stations, the figure is 8.5 per cent.

But optimism can be taken too far.

Mr James Gordon, managing director of Radio Clyde, points out that copyright charges in the US amount to only about 2 to 3 per cent of radio advertising revenues compared with about 10 to 14 per cent in the UK.

More fundamentally, the UK is unique in having established commercial television before commercial radio and the change in advertisers' attitudes towards acceptance of radio, although underway, will be a gradual process.

In the short term, there is an expected slowdown in advertising growth, courtesy of the impact of higher interest rates, and in the 1990s there will be increased competition from deregulated television.

For the companies themselves, a bigger advertising pie will also coincide with increased competition for the slices. But the larger stations, which face the prospect of being sandwiched between regulatory limits and a host of newcomers do not appear overly concerned.

"We have been the principal advocate of expansion through licensing more franchises," says Mr Walmsley, whose Capital Radio automatically breaches the 15 per cent limit by broadcasting to London. "We believe the rate of expansion will allow any big player to expand at an acceptable rate and we expect some relaxation on ownership limits."

For many of the smaller companies, however, the going will be tough. Mr Gordon believes that up to a quarter of the new incremental stations will go bust within two years because they will not be able to win a large enough share of advertising.

Mr Christopher Chataway, Crown's chairman, concurs. "We have a very fragmented little industry with variable standards of management and performance. There is bound to be a shake-down into a group of market leaders."

Before the shake-down, however, the shake-up is set to continue. With the usual nods to "the right opportunities" and "not buying for buying's sake", all are seeking to expand. As a result, the airwaves will continue to hum with corporate activity.

NEWS DIGEST

Interest halts rise at Perry

Profits of Perry Group, one of the UK's largest motor dealers, remained virtually static at £3.78m pre-tax on a turnover of £178.35m for the first half of the 1989 year.

However, the figures, which compare with £3.75m and £154.28m respectively, were struck after taking account of an £873,000 rise in interest charges to £1.74m.

Earnings emerged at 13p (12.8p) and the interim dividend is being held at 2.75p.

Looking ahead, the directors said they were unlikely to see an improving trend in the second six months.

Elys improves but warns of downturn

Elys (Wimbledon), the department store retailer, reported pre-tax profits up just 2 per cent from £190,000 to £194,000 in the 26 weeks to July 29.

Turnover improved by £207,000 to £5.12m and tax took £68,000 (£66,000), leaving earnings per share of 10.5p (10.3p). The interim dividend is unchanged at 1p.

The directors said they considered the result for the half year to be satisfactory but warned that the profit for the year was likely to be adversely affected by the present economic conditions.

Second Alliance net asset value ahead

Second Alliance Trust had a net asset value of £12.05 at July 31 compared with £9.72 a year earlier.

Net revenue for the year amounted to £5.52m (£4.52m) after tax of £2.25m (£1.95m). An increased final dividend of 20p (18p) is proposed for a 28p (23p) total.

Directors expected the rate of increase in profitability would slow and, in some cases profits could fall.

Seacon moves up 44% to £610,000

Seacon Holdings, the Third Market-quoted specialist shipping and transportation company, lifted pre-tax profits 44 per cent from £424,000 to £610,000 for the half year to March 31. Turnover was little changed at £9.25m.

Earnings rose to 6.19p (4.34p) and an interim dividend of 1.2p (1p) is declared.

Mr CC Roth, chairman and chief executive, reported that the Milford Docks company was now firmly-based and profitable and its trading results during the strike weeks had been better than expected.

Nash Industries slightly lower

Slightly lower pre-tax profits – of £633,000 compared with £656,000 – were announced by Nash Industries, the packaging, engineering and construction company, for the six months to March 31. Turnover increased from £10.05m to £16.3m.

However earnings rose to 4.8p (4.7p) per share and the interim dividend is lifted to 1.4p (1.2p).

Directors said the group's financial position was strong and completion of the proposed acquisition of Minevent would lead to an increase of £4m in financial resources.

Food division helps Polly Peck rise 34%

Polly Peck International, the trading group which has agreed to buy Del Monte's fresh fruit operations for $875m (£557m), increased pre-tax profits by 34 per cent to £64.4m (£48m) in the six months to June 30.

The food division, involved in packaging and the sourcing, handling and marketing of fruit and vegetables, increased pre-tax profits from £37.7m to £50.7m.

The electronics division made pre-tax profits of £18.5m (£8.2m) on turnover of £195m (£133m). Capetronic doubled its profits with a strong performance from computer peripherals, and Vestel increased its profits despite severe competition in the depressed market for home entertainments.

Textiles saw pre-tax profits fall from £2.1m to £0.2m, and are likely to be sold.

The Del Monte acquisition will be financed by a three-for-seven rights issue at 245p per share to raise £283m. Dollar-denominated bank loans will make up the balance.

Fully diluted earnings per share rose by 9.6 per cent to 20.6p (18.8p). The interim dividend is 5p, and a final of at least 7.5p is forecast.

This result was published in later editions yesterday.

British Dredging aggregates £1.92m

British Dredging, the marine dredging company which supplies sand and gravel and manufactures paving blocks and other concrete products, turned in pre-tax profits of £1.92m in the half-year to June 30, up almost 54 per cent on last year's £1.25m.

The result was achieved from increased turnover of £16.95m (£15.57m), and after tax of £670,000 (£354,000) and minorities of £60,000 (£48,000) earnings per share rose 38 per cent to 6.84p (4.94p).

An improved interim dividend of 2.6p (2.2p) has been declared.

Gartmore European assets rise sharply

Net asset value per 50p share of the Gartmore European Investment Trust stood at 439.2p at end-June after deducting prior charges at par, an improvement of 91.6p over the figure a year earlier.

Net revenue for the year to June 30 rose from £108,540 to £202,057, equal to earnings of 4.75p (2.55p). The dividend for the year is being stepped up from 2.5p to 3p. A scrip issue on a three-for-one basis is also proposed.

UK COMPANY NEWS

Acme Products' success story

Why is Caradon considering a bid approach, asks Vanessa Houlder

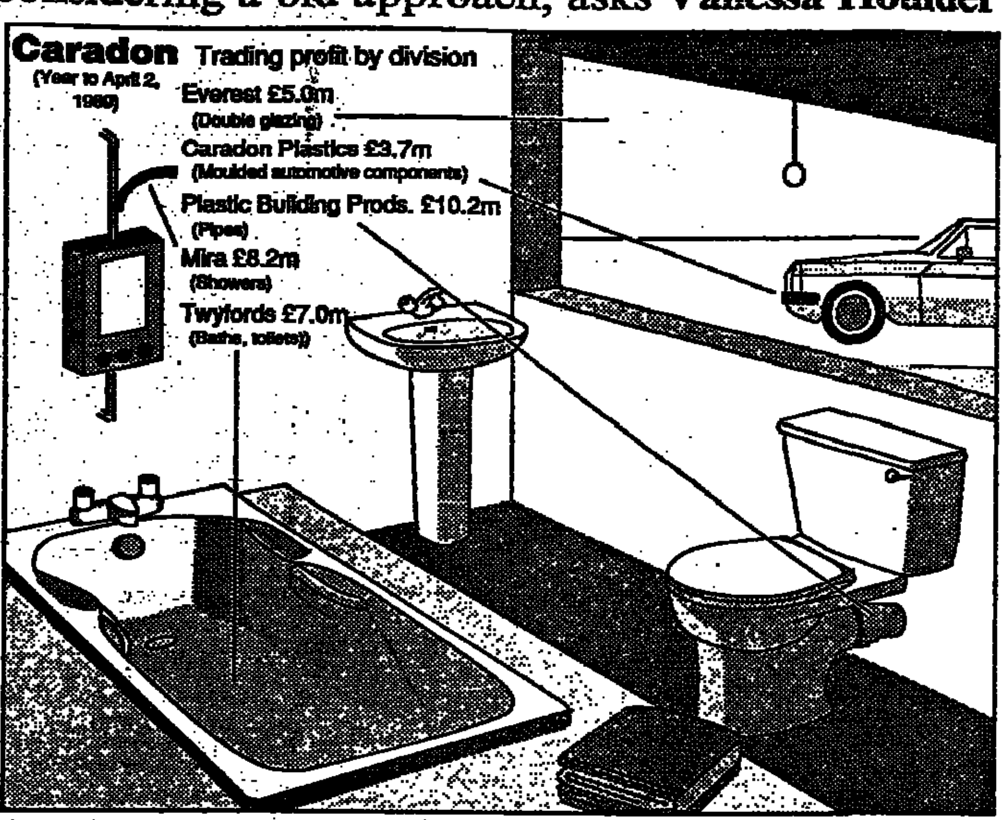
THE NEWS that Caradon, the fast-growing building materials company, is mulling over a takeover approach may even have taken the most bid-weary analyst by surprise.

Caradon, of all companies, might be expected to shun the prospect of being swallowed up by a major group. Since it staged a management buy-out from Reed International in 1985, its renewed vigour has been a striking advertisement for the merits of independence.

Furthermore, it does not conform to the convention that bid targets are poorly managed concerns, with dismal share price histories. Caradon has something of a fan club among City institutions thanks to its successful profits record, solid share price performance and well-respected management.

It is not so hard, however, to see the appeal of Caradon.

In addition to the management, a bidder would probably be attracted by some well-respected brands such as Mira showers, Twyfords bathroom fittings and Everest double glazing. These brands could be split up, although they fit well together as they share similar manufacturing methods or sell into related markets.



The chairman of one large group which might well be interested in some of Caradon's businesses, if its shares had not been pushed so high, said this week that he saw few possibilities for squeezing much more out of the company. "They've got super margins," he said. "What's the point of buying something that's running like a Swiss watch?"

Nonetheless, the list of potential buyers is a long one. Some analysts believe it should include the management who may feel their shares are undervalued – although given the company's good relationship with the City, this seems relatively unlikely.

Other names bandied around include Bowater Industries (although its hands may now be full with Norton Opax), Blue Circle Industries (although it may want to renew its bid for Myson Group if the Monopolies Commission allows) and Hepworth Ceramic. That's not to mention overseas candidates such as Boral and CSR, both Australian building material companies.

One characteristic of the bidder is that it must be prepared to take a long-term view.

The outlook for building materials is clouded by the squeeze on consumer spending and general pressures on the new housing market.

Inevitably, this must be expected to reduce demand for drainage pipes, new showers, new baths and double glazing. However, the bulk of Caradon's products go into the repair and maintenance market, which should be relatively insulated from the effects of higher interest rates.

Furthermore, Caradon spotted the mood of the market early on and drew up budgets for this year on the basis of no volume growth. In addition, it has invested in efficiency savings which should keep profits growing even if there is a downturn in the market.

The strain seems most evident in Everest, the double glazing business that was bought from RTZ in May 1988. In June, the company reported that high interest rates had led to a severe fall in sales since the start of the year.

This has inevitably hampered Caradon's task in reversing Everest's decline, illustrated by a fall in market share from 11 per cent to 6 per cent in the five years before the acquisition. So although Caradon has already achieved success in lopping costs, improving products and boosting marketing efforts, the jury is still out on the wisdom of the acquisition.

At the same time, however, the most prevalent view is that if any management can succeed in turning round Everest, it is Caradon's.

The management team is headed by Mr Peter Jansen, a likeable Dutchman and former director of Redland. He is supported by Mr Tim Walker, a former managing director of Redland.

The non-executive chairman is Mr Antony Hitchens, who was managing director and chief financial officer of Consolidated Gold Fields and former deputy managing director of Redland.

As well as the top tier of management, all but one of the five divisional managing directors have been brought in from large companies. This depth of experience suggests to some analysts that a bidder may be interested in trying to entice the management to head a larger division.

But it is not clear that the management would want to accept such an offer. A decision to plunge into the life of a big company might sit oddly with the executives' evident relish of their tightly-knit management team and the large degree of control they have over their own fortunes.

The managers also benefit from a substantial bonus and share option scheme. The potential offered by these performance-linked bonuses were illustrated by Mr Jansen's 40 per cent pay rise to £211,730 last year.

This year, analysts reckon that profits should rise to about £41m, which would put Caradon on a p/e multiple of 10, using a share price of 452p.

Of course, a bid may not materialise. But, in any event, last week's announcement may well mark a change in the market's perception. While it does not mean that Caradon's management will welcome future bid approaches, it does suggest that it is prepared to talk. Even if nothing comes of these talks, there is a risk for Caradon now that it is in play.

BANK RETURN

BANKING DEPARTMENT	Wednesday September 6, 1989 £		Increase or decrease for week £
LIABILITIES			
Capital	14,553,000		
Public Deposits	88,590,271	-	22,525,107
Bankers Deposits	1,437,186,349	-	223,238,849
Reserve and other Accounts	2,318,276,237	+	177,970,467
	3,838,608,057	-	68,142,489
ASSETS			
Government Securities	1,546,112,184	+	303,907,812
Advance and other Accounts	1,004,655,576	+	107,132,344
Premises Equipment & other Secs	1,479,345,642	-	482,675,517
Notes	8,377,012	+	3,464,258
Coin	216,573	+	28,816
	3,838,608,057	-	68,142,489
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,071,622,988	-	323,464,258
Notes in Banking Department	8,377,012	+	3,464,258
	15,080,000,000	-	320,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	15,034,338,133	+	1,357,381,601
Other Securities	34,646,767	-	1,677,381,601
	15,080,000,000	-	320,000,000

ECONOMIC DIARY

TODAY: A United Nations mission is expected in Honduras to decide whether to establish an international peacekeeping force to monitor Contra movements.

TOMORROW: SLD annual conference in Brighton (until September 15). Mr John Major, Foreign Secretary, visits Washington for talks with Mr George Bush, US President, and Mr Dan Quayle, US Vice President.

MONDAY: Retail sales (August-provisional). Producer price index numbers (August provisional). European Parliament in full session in Strasbourg (until September 15). General elections in Norway. Yugoslav Communist Party plenum to adopt stand on inter-ethnic relations. Mr Augusto Pinochet, President of Chile, to make speech marking the 16th anniversary of seizure of power. British Association for the Advancement of Science annual conference in Sheffield (until September 15).

TUESDAY: International banking statistics (second quarter). US current account figures (second quarter). Confederation of British Industry holds conference "Pay and Performance" at Centre Point, London. Institute of Energy conference on coal privatisation in London. Mr Rodrigo Borja, President of Ecuador, begins official visit to Spain (until September 14).

WEDNESDAY: United Kingdom National Accounts 1989 edition (CSO Blue Book). Financial Times holds conference "World Motor" at Hotel Inter-Continental, Frankfurt. South African Parliament meets to convene electoral college to elect a new president. Engineers and scientists at British Nuclear Fuels are expected to hold a one-day strike over pay. Jaguar interim figures.

THURSDAY: UK balance of payments figures (second quarter). Labour market statistics: unemployment and vacancies (August-provisional); average earnings indices (July-provisional); employment, hours, productivity and unit wage costs; industrial disputes. US retail sales figures (August). Ambulance crews begin overtime and rest day working ban. New South African President to be elected. King Fahd of Saudi Arabia arrives in Washington for talks with President George Bush on efforts towards peace in the Middle East. Frankfurt motor show opens (until Sepember 24).

FRIDAY: Usable steel production (August). Retail prices index and tax and price index (August). US merchandise trade figures (July). business inventories; producer price index (August), industrial production. International boat show opens in Southampton. Industrial Society conference on working from home in London.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C	$ 400	153	1.10	5	4.60	–	–	$ 360.40
Gold P	$ 360	110	6.50	2	9 a	–	–	$ 360.40
Gold P	$ 370	–	–	63	13.60	–	–	$ 360.40
		Sep. 89		Oct. 89		Jan. 90		
EOE Index C	Fl. 310	64	12 a	39	16	–	–	Fl. 321.68
EOE Index C	Fl. 315	1209	7.40	621	12 a	–	–	Fl. 321.68
EOE Index C	Fl. 320	1250	4 b	450	8.90	25	16.50	Fl. 321.68
EOE Index C	Fl. 325	677	1.50	270	6.40	–	–	Fl. 321.68
EOE Index C	Fl. 330	381	0.60	148	4.40	23	12	Fl. 321.68
EOE Index P	Fl. 310	187	0.60	158	3	148	6.30	Fl. 321.68
EOE Index P	Fl. 315	629	1	128	4.50 a	–	–	Fl. 321.68
EOE Index P	Fl. 320	634	2.80	582	6 b	260	10 a	Fl. 321.68
EOE Index P	Fl. 325	146	4.50 b	161	9	–	–	Fl. 321.68
EOE Index P	Fl. 330	84	8.50 b	60	11 b	10	14.20	Fl. 321.68
EOE Index P	Fl. 335	3	13.50	100	14.50 b	–	–	Fl. 321.68
		Sep. 89		Oct. 89		Nov. 89		
$/Fl C	Fl. 220	179	3.80	133	5.70	–	–	Fl. 223.20
$/Fl C	Fl. 225	144	1	33	3.20	67	4.10	Fl. 223.20
$/Fl P	Fl. 215	6	0.10	50	1	55	1.80 b	Fl. 223.20
		Oct. 89		Jan. 90		Apr. 90		
ABN C	Fl. 45	384	1.30	384	2.70	42	3.50	Fl. 44.50
ABN P	Fl. 40	–	–	90	0.60	–	–	Fl. 44.50
Aegon C	Fl. 110	237	6	27	10	15	12.30	Fl. 114.20
Aegon P	Fl. 100	60	0.20	–	–	–	–	Fl. 114.20
Ahold C	Fl. 140	84	3 a	28	7	12	9	Fl. 136.50
Ahold P	Fl. 125	20	1	–	–	225	3	Fl. 136.50
Akzo C	Fl. 150	1785	3	630	6.50	79	9.50	Fl. 147
Akzo P	Fl. 150	332	4.80	58	6.80 b	–	–	Fl. 147
Amev C	Fl. 60	179	1.40	115	3	20	4.70	Fl. 57.50
Amro C	Fl. 90	471	1.80	202	4.20	–	–	Fl. 87.70
Amro P	Fl. 85	8	0.80	206	2.30	5	3.30	Fl. 87.70
BUHRMANN-T C	Fl. 70	37	3.90 a	403	6	–	–	Fl. 72
BUHRMANN-T P	Fl. 70	9	1.20	107	2.20	–	–	Fl. 72
DAF N.V. C	Fl. 60	73	1.10	52	2.60	7	3.60	Fl. 55.50
N.V. DSM C	Fl. 140	113	1.20	60	4.50	307	8	Fl. 128.90
N.V. DSM P	Fl. 125	148	1.80 b	122	4.50	1	7	Fl. 128.90
Elsevier C	Fl. 85	216	1.50	93	3.80	7	5	Fl. 81.80
Elsevier P	Fl. 80	–	–	105	2.50	–	–	Fl. 81.80
Gist-Broc. C	Fl. 35	745	1.70	647	3.30	270	4.80 a	Fl. 35.40
Gist-Broc. P	Fl. 35	562	1	80	1.80	6	2.30	Fl. 35.40
Heineken C	Fl. 140	392	5.20	55	8	2	10.50	Fl. 140.50
Heineken P	Fl. 140	214	3.70	37	5.70	–	–	Fl. 140.50
Hoogovens C	Fl. 100	1097	4 a	116	9	89	13	Fl. 98.60
Hoogovens P	Fl. 95	617	2.30	43	5	5	7	Fl. 98.60
KLM C	Fl. 50	455	6.10	99	7.50	21	9	Fl. 55.40
KLM P	Fl. 55	261	1.30 b	184	2.70	67	3.60	Fl. 55.40
KNP C	Fl. 65	131	0.30	–	–	–	–	Fl. 56.10
KNP P	Fl. 55	54	1.50	45	2.60	–	–	Fl. 56.10
NEDLLOYD C	Fl. 86	60	8.80	410	12.50 a	–	–	Fl. 92.70
NEDLLOYD P	Fl. 88	139	2.30	15	3.50	–	–	Fl. 92.70
Nat.Ned. C	Fl. 75	1560	1.80	438	4	70	5.60	Fl. 74
Nat.Ned. P	Fl. 70	150	0.70	12	1.60	134	2.30	Fl. 74
Philips C	Fl. 45	7601	3.40	3342	4.70	655	6	Fl. 47.50
Philips P	Fl. 45	1185	0.80	359	2	254	2.80	Fl. 47.50
Royal Dutch C	Fl. 150	4061	3.60	977	6.70	197	9.70	Fl. 151.60
Royal Dutch P	Fl. 150	403	4.50	69	5.80	4	7	Fl. 151.60
Unilever C	Fl. 140	186	21	–	–	–	–	Fl. 160.20
Unilever P	Fl. 160	73	3.40	13	5	8	6.50	Fl. 160.20
Van Ommeren C	Fl. 50	210	0.20	1	0.70	3	1.10	Fl. 37
Van Ommeren P	Fl. 35	41	0.80	154	1.60 a	16	2.60	Fl. 37
Wessanen C	Fl. 90	155	2.30	1	4.50	–	–	Fl. 87.30

TOTAL VOLUME IN CONTRACTS : 99,024

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
Allied Trust Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Brit Bk of Mid East	14	C. Hoare & Co.	14		
● Brown Shipley	14	Hongkong & Shangh	14		
Business Mtge Tst	14½	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk	14		
City Merchants Bank	14	Midland Bank	14		
		Mount Banking	14		
		Nat Bk. of Kuwait	14		

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FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Friday September 8 1989

Figures in parentheses show number of stocks per section

	Group	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Sep 7 Index No.	Wed Sep 6 Index No.	Tue Sep 5 Index No.	Year ago (approx) Index No.	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (208)	1088.82	+0.3	10.68	4.06	11.50	21.20	1085.80	999.77	1088.67	752.44	1012.97	18/8	775.54	3/1	1038.87	16/7/87	50.71	13/12/74
2	Building Materials (29)	1185.22	+0.3	12.68	4.52	9.85	26.97	1182.05	1183.04	1182.20	943.83	1287.14	19/5	939.06	3/1	1381.08	16/7/87	44.27	11/12/74
3	Contracting, Construction (37)	1600.09	+1.5	15.10	4.64	8.45	34.30	1576.03	1563.87	1574.82	1514.39	1801.66	14/3	1468.31	3/1	1951.50	16/7/87	71.48	2/12/74
4	Electricals (9)	3040.82	+0.7	8.19	3.90	15.20	54.31	3019.85	3011.52	3037.73	2068.21	3040.80	8/9	2294.38	3/1	3040.80	8/9/89	84.71	25/6/62
5	Electronics (31)	2296.63	+0.6	6.43	3.25	15.35	47.99	2283.84	2245.94	2280.21	1624.94	2308.22	19/5	1776.44	3/1	2308.22	19/5/89	1229.81	8/10/85
6	Mechanical Engineering (56)	555.35	+0.4	9.79	4.81	12.50	10.94	553.22	550.49	557.98	398.25	558.05	20/7	406.34	3/1	558.05	20/7/89	45.43	5/1/75
8	Metals and Metal Forming (6)	529.90	+0.2	19.43	5.74	5.68	14.84	528.59	526.32	532.11	459.37	562.47	19/5	452.62	3/1	596.67	9/10/87	49.65	6/1/75
9	Motors (17)	344.56	—	10.42	4.28	11.18	8.59	344.63	362.73	369.15	262.37	369.28	25/8	258.24	3/1	411.42	13/10/87	19.91	6/1/75
10	Other Industrial Materials (23)	1855.09	-0.6	8.56	3.81	14.29	34.02	1866.16	1863.10	1867.30	1241.93	1881.53	18/8	1311.43	3/1	1881.53	18/8/89	277.55	15/1/81
21	CONSUMER GROUP (184)	1406.16	-0.2	7.78	3.06	16.13	22.58	1408.39	1392.62	1417.55	1021.05	1417.92	4/9	1016.74	3/1	1417.92	4/9/89	61.41	13/12/74
22	Brewers and Distillers (22)	1572.78	-0.2	8.45	3.11	14.80	25.65	1575.42	1556.10	1583.71	1057.43	1583.71	5/9	1112.42	3/1	1583.71	5/9/89	69.47	13/12/74
25	Food Manufacturing (20)	1214.27	+0.1	8.42	3.47	14.87	21.07	1212.57	1197.87	1218.10	905.43	1220.42	4/9	926.04	3/1	1220.42	4/9/89	59.67	11/12/74
26	Food Retailing (14)	2680.88	-0.2	7.57	2.58	17.46	38.37	2687.22	2650.03	2722.30	1854.69	2722.30	5/9	1784.64	5/1	2722.30	5/9/89	54.25	11/12/74
27	Health and Household (14)	2694.62	-1.0	5.49	1.54	21.48	22.32	2721.34	2708.50	2755.59	1881.31	2772.31	4/9	1776.28	3/1	2772.31	4/9/89	175.38	28/5/80
29	Leisure (34)	1845.77	+0.1	7.05	3.06	17.51	32.22	1843.33	1808.03	1817.77	1262.26	1845.77	8/9	1346.22	3/1	1845.77	8/9/89	54.83	9/1/75
31	Packaging & Paper (15)	614.63	+0.6	9.66	4.16	12.97	10.10	610.25	605.43	621.16	487.12	622.86	4/9	[illegible]	3/1	739.48	16/7/87	43.46	6/1/75
32	Publishing & Printing (19)	3836.23	-0.2	8.32	4.39	15.47	98.37	3844.84	3804.58	3854.33	3264.57	3916.24	8/2	3236.76	4/1	5070.66	5/10/87	55.08	6/1/75
34	Stores (32)	911.98	+0.4	9.45	4.03	13.81	17.64	908.19	901.90	919.92	735.54	921.71	4/9	679.97	3/1	1160.58	29/7/87	52.63	6/1/75
35	Textiles (14)	583.84	+0.4	10.25	5.08	11.68	15.40	581.79	576.53	581.99	537.27	585.46	23/8	464.58	[illegible]	914.52	2/10/87	62.66	11/12/74
40	OTHER GROUPS (93)	1228.96	—	9.57	3.94	12.69	23.25	1229.98	1208.57	1225.60	855.25	1225.60	5/9	896.15	3/1	1225.60	5/9/89	58.63	6/1/75
41	Agencies (17)	1615.26	-0.3	6.64	2.19	18.60	25.12	1620.58	1602.45	1630.78	1088.16	1630.78	5/9	1030.84	3/1	1795.57	17/7/87	[illegible]	[illegible]
42	Chemicals (22)	1345.80	-0.3	11.04	4.61	10.40	48.83	1349.51	1341.77	1360.85	1018.48	1370.94	11/8	1026.37	3/1	1545.46	5/10/87	71.20	1/12/74
43	Conglomerates (13)	1749.54	-0.8	9.76	4.67	12.05	28.35	1763.53	1744.60	1779.76	1163.39	1819.46	11/8	1254.94	3/1	1819.46	11/8/89	975.19	10/11/87
45	Transport (13)	2421.48	-0.3	8.71	3.74	14.89	42.06	2427.78	2426.48	2457.82	1806.51	2554.69	12/7	1836.25	4/1	2554.69	12/7/89	90.80	29/6/62
47	Telephone Networks (2)	1191.32	+1.3	10.28	4.17	12.68	22.36	1176.53	1153.86	1155.46	915.99	1191.32	8/9	1002.43	3/1	1274.14	9/6/87	517.92	30/11/84
48	Miscellaneous (26)	1947.53	-0.3	8.92	3.27	12.66	29.18	1953.33	1934.63	1983.45	1169.99	2087.06	13/7	1183.56	5/1	2087.06	13/7/89	68.39	[illegible]
49	INDUSTRIAL GROUP (485)	1267.72	—	9.04	3.57	13.64	23.07	1267.65	1255.55	1273.71	918.05	1273.71	5/9	935.74	3/1	1273.71	5/9/89	59.01	13/12/74
51	Oil & Gas (15)	2279.36	+1.9	9.45	4.91	14.02	73.67	2236.88	2217.98	2234.45	1681.40	2279.36	8/9	1725.48	[illegible]	2458.68	16/7/87	87.23	29/5/62
59	500 SHARE INDEX (500)	1353.63	+0.3	9.10	3.75	13.69	27.20	1350.25	1337.55	1355.68	982.91	1355.68	5/9	1002.81	3/1	1369.88	16/7/87	63.49	13/12/74
61	FINANCIAL GROUP (121)	824.58	+0.6	—	5.01	—	24.28	819.45	810.53	821.43	660.52	824.58	8/9	670.86	3/1	896.67	13/10/87	55.88	13/12/74
62	Banks (9)	837.73	+0.4	28.62	5.96	6.37	34.80	833.87	825.52	829.26	633.98	846.87	25/8	657.74	3/1	898.28	16/7/87	62.44	12/12/74
65	Insurance (Life) (8)	1257.90	+1.0	—	4.80	—	30.47	1245.74	1230.65	1239.74	998.13	1257.90	8/9	933.96	5/1	1285.72	9/10/87	44.88	2/1/75
66	Insurance (Composite) (7)	664.54	+1.9	—	5.71	—	21.91	652.44	637.52	646.22	512.84	664.54	8/9	528.72	3/1	787.58	13/10/87	43.96	13/12/74
67	Insurance (Brokers) (7)	989.91	+0.4	7.59	4.27	17.48	31.89	986.03	984.22	1000.43	907.89	1071.22	8/2	916.48	3/1	1399.56	17/7/87	65.86	16/12/74
68	Merchant Banks (10)	400.39	+0.8	—	4.01	—	7.37	397.09	395.40	407.45	318.54	407.45	5/9	318.05	3/1	547.59	12/10/87	31.21	7/1/75
69	Property (49)	1386.66	-0.1	6.28	2.90	20.35	19.78	1387.71	1381.03	1398.87	1153.31	1398.87	5/9	1198.13	3/1	1398.87	5/9/89	56.01	20/4/65
70	Other Financial (31)	372.96	-0.1	10.72	5.08	12.00	10.48	373.43	370.57	373.75	351.55	391.49	8/2	342.99	3/1	469.48	16/7/87	33.29	17/12/74
71	Investment Trusts (69)	1288.84	+0.1	—	2.60	—	18.62	1287.34	1279.54	1285.21	884.81	1288.84	8/9	922.84	3/1	1288.84	8/9/89	71.12	13/12/74
81	Mining Finance (1)	754.47	+0.2	7.92	3.40	13.99	15.84	753.19	742.92	753.19	533.03	754.47	8/9	561.50	3/1	754.47	8/9/89	66.31	30/9/74
91	Overseas Traders (8)	1543.93	+2.5	9.02	4.82	12.66	43.67	1506.83	1451.46	1469.15	1162.17	1543.93	8/9	1273.76	3/1	1543.93	8/9/89	97.37	6/1/75
99	ALL-SHARE INDEX (699)	1225.79	+0.3	—	3.90	—	26.23	1221.83	1209.86	1225.80	981.25	1225.80	5/9	921.22	3/1	1238.57	16/7/87	61.92	13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 7	Sep 6	Sep 5	Sep 4	Sep 1	Year ago	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX†	2423.9	+8.0	2435.7	2423.0	2415.9	2398.8	2426.0	2419.2	2407.5	1758.4	2426.0	5/9	1782.8	3/1	2443.4	16/7/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Sep 8	Day's change %	Thu Sep 7	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.51	+0.02	117.81	0.32	8.67
2	5-15 years	132.74	-0.17	132.97	—	9.40
3	Over 15 years	143.62	-0.26	144.01	—	10.01
4	Irredeemables	165.90	-0.01	165.92	—	8.83
5	All stocks	130.46	-0.12	130.73	0.12	9.35
	Index-Linked					
6	5 years	140.51	+0.02	140.49	—	2.26
7	Over 5 years	139.21	-0.02	139.24	—	2.66
8	All stocks	139.19	-0.02	139.21	—	2.61
9	Debentures & Loans	113.63	—	113.63	—	6.87
10	Preference	89.30	+0.04	89.26	—	3.92

	AVERAGE GROSS REDEMPTION YIELDS		Fri Sep 8	Thu Sep 7	Year ago (approx.)	1989 High		1989 Low	
	British Government								
1	Low	5 years	9.76	9.70	10.15	10.39	30/12	8.88	9/2
2	Coupons	15 years	9.32	9.29	9.67	9.76	14/6	8.77	9/2
3		25 years	9.23	9.21	9.35	9.59	14/6	8.73	16/2
4	Medium	5 years	10.69	10.65	10.47	11.33	14/6	9.96	8/2
5	Coupons	15 years	9.74	9.70	9.91	10.28	14/6	9.21	8/2
6		25 years	9.37	9.33	9.61	9.81	14/6	8.85	17/2
7	High	5 years	10.79	10.76	10.62	11.44	14/6	10.13	8/2
8	Coupons	15 years	9.95	9.90	10.04	10.49	14/6	9.41	8/2
9		25 years	9.53	9.49	9.62	9.99	14/6	8.99	27/1
10	Irredeemables		9.27	9.27	9.31	9.57	14/6	8.68	15/3
	Index-Linked								
11	Inflation rate 5%	5yrs.	3.02	3.00	3.51	4.04	2/6	2.75	21/8
12	Inflation rate 5%	Over 5 yrs.	3.51	3.50	3.96	[illegible]	2/6	3.42	21/8
13	Inflation rate 10%	5 yrs.	2.25	2.22	2.48	3.30	2/6	1.91	21/8
14	Inflation rate 10%	Over 5 yrs.	3.35	3.34	3.80	3.67	5/6	3.23	21/8
15	Debs & Loans	5 years	13.06	13.05	11.45	13.07	5/9	11.47	30/12
16		15 years	12.04	12.04	11.29	12.04	7/9	11.19	1/2
17		25 years	11.40	11.40	11.18	11.40	7/9	10.66	27/2
18	Preference		10.20	10.20	10.06	10.43	30/12	10.00	17/3

†Opening index 2433.3; 10 am 2431.3; 11 am 2426.4; Noon 2427.6; 1 pm 2426.9; 2 pm 2428.4; 3 pm 2429.9; 3.30 pm 2423.3; 4 pm 2425.7 (a) 9.12am (b) 3.27pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.

CONSTITUENT CHANGES: Randsworth Trust (69) and Sphere Investment Trust (71) have been deleted. Thornton Asian Emerging Markets Trust (71) has been inserted. PREFERENCE CONSTITUENT CHANGES: Carrington Viyella 4.55% and 5.6% preference stocks have been deleted.

Nikka flotation tests new Tokyo rules

By Robert Thomson in Tokyo

THE first stage of a listing on the Tokyo Stock Exchange for Nikka Whisky Distilling, Japan's second largest whisky maker, has provided a test of new regulations designed to ensure that unfair profits are not made from pre-placements at bargain prices as in the Recruit stock scandal.

At least two of Japan's four largest stockbrokers have declined to take some bids on the stock, not for sinister reasons but because they argue that the set minimum price was excessively high.

Bidding closed yesterday on 2.28m shares out of the 7.4m to be listed, which accounts for 20 per cent of Nikka's equity and, at the minimum price of Y2,800, will raise at least Y20.7bn ($142.7m).

While brokers are supposed to accept all bids under the new regulations, the Ministry of Finance said that no investigation would be made into the bidding, which closed yesterday with 37.18m offers and a highest bid price of Y3,540, the pre-set ceiling for the issue.

Nomura and Daiwa, two of Japan's Big Four securities companies, admitted that they were unenthusiastic about the second-section listing of Nikka on the grounds that the price limits set for bidding were unreasonably high.

A Daiwa official said that "we did not do aggressive canvassing" of the stock in order to "avoid overheating," although the company admits that after an article in the Japanese financial press on Thursday revealing that some bids had not been accepted, the broker took all bids by investors.

KKR and Bass enter race to control United Airlines

By James Buchan in New York

THE $6.8bn offer for United Airlines by a group of its management, pilots and British Airways of the UK may face new competition with the announcement by ground crew at the airline that it is talking to well-known investors about a bid.

The announcement by the machinists' union that it is talking to representatives of Kohlberg Kravis Roberts, the leveraged buy-out specialist firm, and the Texas investor, Mr Robert Bass, sent the stock of United's parent company, UAL, up on Wall Street in early trading.

But the share price later fell back amid suspicions that the mechanics and ground crew are chiefly trying to ensure their concerns about pay and job security are heard by the consortium.

Mr John Peterpaul, general vice president of the International Association of Machinists and Aerospace Workers, confirmed on Thursday that "among other investors" the Bass group and KKR had approached the union to see if it was interested in supporting the bid. He said the talks were "very preliminary."

Mr Bass, an investor from Fort Worth, Texas, who has dabbled successfully in different industries, could not be reached. KKR, the firm pre-eminent in the business of leveraged buy-outs, would not comment yesterday morning.

Earlier last week, Mr Peterpaul criticised the $300 a share offer for the company by a group led by Mr Stephen Wolf, UAL's chairman, the pilots union and British Airways, the airline's marketing partner.

He said the debt the consortium will need to finance the offer could endanger the future of the airline.

The IAM has some leverage. The Wolf consortium needs pay and work rule concessions from the mechanics and ground staff to free cash to service the debt that will be taken on. The pilots themselves have pledged concessions worth $250m a year but the other employees, mainly the machinists and cabin crews, are being asked for $120m.

The UAL board of directors is also considering a lower offer of $275 a share or $6.2bn from Mr Marvin Davis, who is a businessman from Beverly Hills, California.

● Pilots at Eastern Airlines, the Texas Air subsidiary, have fired Mr Jack Bavis as their union leader because he proposed considering an end to their six-month walk-out.

The ejection of Mr Bavis, who had led the union since 1986, was announced late on Thursday as the union and management prepare for their first round of talks for six weeks on Monday.

Air NZ sell-off aims to raise NZ$200m

By Terry Hall in Wellington

THE New Zealand stock market faces a test with the public flotation next month correct of Air New Zealand, the first significant new issue since the October 1987 crash.

Details were announced yesterday for the flotation of a 25 per cent stake in the airline to raise NZ$200m (US$125m).

Leading stocks have staged a recovery in the past six weeks. This has come largely on renewed buying from overseas.

However, Under conditions imposed by the Government, the Air NZ issue is being made only to New Zealanders. This is said to be in order to safeguard the carrier's international route structure.

Some 84m shares are to be offered at NZ$2.40. The terms represent an historic price/earnings ratio of 9.2 based on last year's net profit of NZ$72.3m, and a multiple of 7 on the current year's forecast profit of NZ$96m. This compares with an average market p/e of 9.

The dividend yield for the year is forecast as 8.4 per cent, up from 4.3 per cent. The company says the net tangible asset value will be NZ$2.50 by the next balance date and NZ$3.02 if the book value of the fleet is taken into account.

Of the issue, 14m shares are reserved for Air NZ staff. Domestic institutions are to be offered half the portion available to the public.

Mr Bob Matthew, Air NZ chairman – who is also chief executive of Brierley Investments (BIL), the airline's leading shareholder – sought yesterday to reassure the market of his company's long-term investment plans for the airline. He announced that both BIL and Qantas of Australia would retain a minimum 15 per cent holding in Air NZ for the next three years.

After the public issue BIL will hold 35 per cent and Qantas 20 per cent.

Nabisco may have buyer for Del Monte subsidiary

By James Buchan

RJR NABISCO, the tobacco and food group that is in partial liquidation, appears to have a buyer for its big Del Monte canned foods operation.

The sale of the business, which was rumoured on Wall Street yesterday, would be the latest in a string of disposals of well-known branded food businesses designed to pay off money borrowed by Kohlberg Kravis Roberts, a New York investment firm, when it bought RJR for $25bn last year.

On Thursday, RJR announced it had sold Del Monte's tropical fruit business to Polly Peck International of the UK for $875m.

The buyer of the much larger canned foods business is believed to be the company's management backed by the venture capital arm of Citicorp, the New York bank. Neither Kohlberg Kravis nor Citicorp Venture Capital would comment yesterday, but the deal is believed to be worth about $1.5bn. RJR could not be reached.

Del Monte, which was founded under another name through the combination of several canneries in the Central Valley of California in 1916, is the largest US canner of fruits and vegetables and has sizeable businesses in Europe, the Middle East, South America and the Far East. Sales are about $2bn.

There were reports yesterday that Del Monte's Canadian business is not part of the deal.

The sale would mean that Kohlberg Kravis will have raised about $4.9bn from asset sales so far, only just short of its target of $5.5bn for its first year of ownership.

Analysts say the prices gained so far are worthy rather than spectacular. There is a growing suspicion on Wall Street that the buy-out of RJR will provide fairly run of the mill returns to its new owners, for all its great size.

Co-op seeks more bank relief

CO-OP, the ailing West German retailer, intends to ask its creditor banks to give up 80 per cent of their unsecured claims on the company in order to wipe out its heavy debt.

The request, which follows a meeting of Co-op's supervisory board, marks a further stage in the chequered saga of a company which had rapidly built itself into one of the country's biggest food retailers.

Its previous management board, including Mr Bernd Otto, the chief executive, was sacked last December after the group was on the verge of bankruptcy because of confused and falsified accounts, a tangled ownership structure and poor management.

A collapse was averted when four non-German banks took control of 72 per cent of Co-op and began a restructuring programme. The 140 or so creditor banks also approved a rescue plan and agreed to forgive nearly half of the company's debt.

An accountants' report had shown that nearly DM2bn ($1bn) would be needed to reinforce Co-op's balance sheet and prevent bankruptcy.

The four banks leading the rescue effort are Amsterdam-Rotterdam Bank, Swiss Bank Corporation, Security Pacific National Bank of the US, and Svenska Handelsbank International. The deadline for agreement on the debt forgiveness by the creditor banks is Monday.

Co-op said that the acceptance of this proposal would clear the way for its restructuring and also make possible a partnership with another concern.

Co-op said that its supervisory board, headed by Mr Hans Friderichs, the former Economics Minister who also used to head Dresdner Bank, had yesterday been informed of the preliminary results for 1988. These included for the first time the entire domestic and foreign group companies.

The new management board has also reported on the current year as well as on the restructuring concept. "They continue to consider the company worthy and capable of being restructured."

Porsche edges up after sales in US collapsed

By Andrew Fisher in Frankfurt

PORSCHE, the West German luxury sports car company that has been struggling to restore its profitability after a sales collapse in the US, yesterday said that its earnings trend had improved substantially in the financial year just ended.

The group forecast a "suitable dividend" – the previous pay-out was maintained, despite a decline in profits – and said that the results had benefited from measures to cut costs and from a change in the product mix.

No profit figures were given for the year ended July 1989 but the family-controlled company said that turnover edged up by just under 2 per cent to DM2.53bn ($1.28bn).

This is less than Mr Heinz Branitzki, the chief executive, forecast in January when he announced a halving in 1987-88 net profits to DM26m. He said then that turnover should reach at least DM2.8bn. Unit sales last year fell by 7.5 per cent to 29,000 cars. For 1989-90,

Heinz Branitzki: expects satisfactory trend

Porsche expected the business trend to be "satisfactory."

In Germany, sales picked up last year by 12 per cent to 7,500 cars, while exports (excluding the US) were 17 per cent higher at 11,300. Sales in the US fell by 32 per cent to just over 10,000 models.

Setback for Rothmans Belgian unit

By Our Financial Staff

TABACOFINA, the Belgian tobacco arm of Rothmans International, yesterday reported a steep decline in profits and plans to regroup its activities.

The company proposes to split itself into two operating units: Tabacofina Vander Elst for Belgian and African operations and RB Holding for European activities.

RB Holding, which will group Tabacofina's stakes in cigarette companies in Switzerland and the Netherlands, will be a subsidiary of Rothmans International Investments.

The Rothmans group acquired the 40 per cent outstanding minority in Tabacofina, Belgium's largest cigarette maker, earlier this year in a deal aimed at consolidating group European operations ahead of 1992.

Tabacofina said net profit for the year ended March 1989 fell by 47 per cent to BFr918m ($22.1m). The decline was caused by exceptional charges linked to the closure of a production facility in Belgium.

● Glaverbel, the glass-making subsidiary of Asahi Glass of Japan, said first-half net profit rose 17 per cent to BFr1.48bn. Group sales rose 9 per cent to BFr13.3bn. The company said it expected net profits for the full year to be higher than the BFr2.45bn of 1988.

● Bekaert, the producer of steel wire and steel cord, posted a 19 per cent increase in net profit to BFr2.17bn for the first half of 1989 following an exceptional gain from the sale of two Belgian units.

Bekaert said the result included a one-time gain of BFr330m on the disposals. It expected the full year profit to be in line with the record BFr4.02bn of 1988.

Atlas buys US truck maker

By John Burton in Stockholm

ATLAS COPCO, the Swedish mining, construction and industrial equipment group, has bought Wagner Mining Equipment of the US, the world's leading producer of mining loaders and trucks.

The vendor is Paccar, the US truck manufacturer. The purchase is part of Atlas Copco's strategy of offering a range of products covering the underground excavation cycle.

Wagner, based in Oregon, has annual sales of $85m. It claims one third of the 1,100 mining loaders sold annually worldwide and specialises in LHD (load, haul and dump) loaders, which are diesel and electrically driven, for large mining operations.

Wagner,

Kuoni chief executive dismissed after dispute

By John Wicks in Zurich

MR MICHEL CRIPPA has been dismissed as chief executive of Kuoni, the upmarket Swiss travel agency, after just more than a year in office.

His position will be taken by Mr Peter Oes, vice chairman of the Kuoni board for the past six years and a leading executive of Swissair, which holds a controlling stake in Kuoni.

In the meantime, management will be headed by Mr Kurt Heiniger, deputy chief executive.

Mr Crippa's dismissal follows a bitter, and often public, boardroom dispute within the company which culminated this week in a series of "crisis" management meetings.

Mr Crippa, a former director-general of Swiss federal railways, succeeded Mr Jack Bolli as Kuoni's chief executive in 1988. Although he was Mr Bolli's personal choice on his retirement from management, there was soon a public rift between the two men.

Mr Bolli, who became board chairman, objected to the radical restructuring initiated by his successor, who set out to reorganise the travel group with help of McKinsey, the US business consultants.

The management row washed into the Swissair boardroom and the airline's influence appeared decisive in Mr Crippa's departure.

L'Air Liquide boosted by sales

By William Dawkins in Paris

L'AIR LIQUIDE, the world's largest industrial gases group, yesterday unveiled a rise in sales and profits for the first half of the year.

The French-owned group, which has interests in the US, Asia and across Europe, saw consolidated sales rise to FFr13.9bn ($3bn) in the first six months, a 12.5 per cent increase over the same period of 1988.

Consolidated earnings, after tax and minority interests, rose by 14.5 per cent to FFr903m over the same period.

Before minorities, net profits rose at the slightly faster rate of 15 per cent from FFr1bn to FFr1.15bn.

Avon may sell fragrance units

AVON Products, the US beauty products group, is considering selling Giorgio Beverly Hills and Parfums Stern, its two prestige fragrance subsidiaries. The proceeds would be used to reduce debt, AP-DJ reports.

The group said sales of the two companies will be more than $300m this year, or less than 10 per cent of Avon's total revenues.

The sales of the fragrance units have grown about 50 per cent since they were acquired in 1987 for about $345m.

Gold Fields SA sets terms for R1bn issue

GOLD FIELDS of South Africa (GFSA), the formerly UK-controlled mining house, has disclosed the terms of its R1bn ($370m) rights issue through which it is to finance several mine expansions and new developments.

The group is to offer 16 new ordinary shares for every 100 ordinary and preference shares held, priced at R75 each to raise nearly R1.03bn after expenses.

In Johannesburg yesterday Mr Robin Plumbridge, the chairman, said existing commitments would absorb about half of the amount to be raised. These include participation in a planned rights issue by the Northam platinum mine being developed by the group and an issue needed to finance expansion of the Yenterspost gold mine.

Mr Plumbridge added that the issue would remove constraints on ability to finance new projects and acquisitions. Raising new finance had been restrained by a reluctance to invest new capital in South Africa on the part of Consolidated Gold Fields, the UK company now part of Hanson.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$360	+1.0	$429.25	$412.25	$358.25
Silver Per troy oz	330.7p	+8.1	390.15	358.85p	313.90p
Aluminium 99.7% (cash)	$1714	-98.5	$2360	$2610	$1664
Copper Grade A (cash)	£1869	-65.5	£1409	£1982.5	£1474
Lead(cash)	£454.5	-19	£357	£473.5	£337
Nickel (cash)	$11325	-1075	$11700	$19350	$11325
Zinc (cash)	$1595	-360	$1328.5	$2107.5	$1497.5
Tin (cash)	$8705	+40	£4402.5	$10760	$7460
Cocoa Futures (Dec)	£808	-37	£785	£947	£715
Coffee Futures (Nov)	£822	+27	£1101	£1270	£741
Sugar (LDP Raw)	$335.0	+2.0	$260.2	$363.6	$235.8
Barley Futures (Nov)	£104.6	-1.05	£106.75	£113.50	£100.95
Wheat Futures (Nov)	£107.65	-1.05	£111.10	£121.65	£104.7
Cotton Outlook A Index	81.65c	-0.85	57.10c	84.95c	61.35c
Wool (64s Super)	598p	+5	630p	710p	585p
Rubber (Spot)	60p	+1.5	69.5p	64p	55p
Oil (Brent Blend)	$17.90	+0.575	$13.50	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.70w	+0.05
Brent Blend	$17.85-7.95	+0.03
W.T.I. (1 pm est)	$19.60-9.65w	+.225
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$204-205	
Gas Oil	$168-169	+2
Heavy Fuel Oil	$85-86	+0.5
Naphtha	$156-157	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$360	+0.5
Silver (per troy oz)♣	513c	+1
Platinum (per troy oz)	$474.60	+1.80
Palladium (per troy oz)	$135.00	+0.90
Aluminium (free market)	$1735	+10
Copper (US Producer)	131⅝-136c	-½
Lead (US Producer)	40.5c	
Nickel (free market)	525c	+5
Tin (Kuala Lumpur market)	23.16r	+0.01
Tin (New York)	402.5c	+2.0
Zinc (US Prime Western)	83¾c	
Cattle (live weight)†	118.31p	
Sheep (dead weight)†	145.33p	
Pigs (live weight)†	107.59p	
London daily sugar (raw)	$335.0v	+4.0
London daily sugar (white)	$428.0v	-11.5
Tate and Lyle export price	£331.0	+2.0
Barley (English feed)	£106	
Maize (US No. 3 yellow)	£125	
Wheat (US Dark Northern)	£126.5t	
Rubber (spot)♥	60.00p	+0.50
Rubber (Oct)♥	63.00p	+0.50
Rubber (Nov)♥	63.75p	+0.50
Rubber (KL RSS No 1 Oct)	237.0m	+1.0
Coconut oil (Philippines)§	$485y	
Palm Oil (Malaysian)§	$320	-2.5
Copra (Philippines)§	$295	
Soyabeans (US)	£177	+2
Cotton "A" index	81.65c	+0.55
Wooltops (64s Super)	598p	+5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Oct	17.70	17.78	17.72 17.63
Nov	17.52	17.57	17.55 17.43
Dec	17.39	17.36	17.43 17.32
IPE Index	17.79	17.70	

Turnover: 7499 (7265)

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	752	754	754 740
Dec	808	809	815 798
Mar	774	779	778 771
May	783	787	786 778
Jul	796	802	799 793
Sep	810	816	815 808
Dec	837	842	842 833

Turnover: 5581 (2886) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 8 920.07 (927.43) :10 day average for Sep 11 941.04 (941.85)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	805	794	820 805
Nov	822	808	840 818
Jan	826	807	840 820
Mar	838	822	860 837
May	857	840	872 856
Jul	883	860	880

Turnover: 4303 (2055) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 7 : Comp. daily 71.22 (70.86). 15 day average 69.45 (69.13)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	299.60	300.00	302.00 297.60
Dec	294.60	298.00	295.00
Mar	286.40	287.20	288.50 285.00
May	281.00	282.00	283.00 280.60
Aug	278.00	280.00	278.40 278.00
Oct	269.00	270.00	270.00 269.00
White	**Close**	**Previous**	**High/Low**
Oct	418.50	415.00	418.00 415.50
Dec	389.00	386.00	388.50 385.50
Mar	363.00	359.00	363.50 359.00
May	359.80	355.80	358.60 356.50
Aug	357.00		357.00 353.00
Oct	351.50		349.00 348.50

Turnover: Raw 4190 (4427)lots of 50 tonnes. White 846 (1954).
Paris- White (FFr per tonne): Oct 2790, Dec 2590, Mar 2430, May 2400, Aug 2390, Oct 2340.

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Sep	165.50	166.00	166.75 164.50
Oct	165.00	162.25	165.00 161.25
Nov	162.75	161.00	163.25 160.25
Dec	162.50	161.25	162.50 160.75
Jan	160.50	159.50	160.50 158.50
Feb	156.00	156.25	156.00 155.50
Mar	152.00	152.00	152.25 152.00

Turnover 9416 (9862)lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,600 tonne
Cash	1713-5	1730-5	1715	1730-5		
3 months	1707-8	1720-2	1740/1708	1724-6	1710-5	30,626 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,950 tonne
Cash	1868-70	1884-5	1892	1892-3		
3 months	1849-51	1845-6	1870/1841	1868-9	1842-3	70,722 lots
Lead (£ per tonne)						Ring turnover 9,650 tonne
Cash	453.5-5.5	459-61	458/457	457-8		
3 months	446-7	451-2	453.5/444	449-9.5	445-6	11,541 lots
Nickel ($ per tonne)						Ring turnover 924 tonne
Cash	11300-50	11375-400	11400/11300	11375-400		
3 months	11025-50	11100-50	11200/10800	11100-50	10800-50	5,207 lots
Tin ($ per tonne)						Ring turnover 500 tonne
Cash	8700-10	8650-80	8730/8710	8725-30		
3 months	8740-50	8710-30	8775/8750	8760-70	8740-60	6,440 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,850 tonne
Cash	1645-50	1640-50	1650/1642	1643-5		
3 months	1628-30	1620-5	1635/1622	1625-8	1625-30	12,350 lots
Zinc ($ per tonne)						Ring turnover 4,550 tonne
Cash	1590-600	1600-10		1610-20		
3 months	1565-75	1565-70	1570	1575-80	1575-80	6,083 lots

LME Closing £/$ rate: SPOT: 1.5600 3 months: 1.5315 6 months: 1.5118 9 months: 1.4964

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Nov	139.0	140.0	137.0
Feb	162.0	167.0	
Apr	214.5	213.5	215.0 211.0
May	239.0	237.0	238.0 237.0

Turnover 178 (149) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Dec	145.00	143.00	145.00 143.00

Turnover 100 (74)lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Sep	1462	1460	1465 1458
Oct	1541	1540	1540 1536
Jan	1591	1592	1591 1588
BFI	1437	1438	

Turnover 81 (258)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	104.40	104.65	104.50 104.40
Nov	107.65	107.90	107.75 107.50
Jan	111.60	111.80	111.60 111.35
Mar	114.50	114.70	114.50 114.30
May	117.30	117.60	117.20 117.10
Jun	118.70	119.10	118.70 118.50
Barley	**Close**	**Previous**	**High/Low**
Sep	101.15	101.15	101.15 100.80
Nov	104.60	104.60	104.60 104.25
Jan	108.70	108.55	108.70 108.35
Mar	111.70	111.55	
May	113.70		113.50

Turnover: Wheat 214 (144), Barley 83 (157).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	126.5	125.0	126.5 125.0
Nov	128.0	126.0	127.5 126.5
Feb	117.9	117.0	118.0 117.5
Apr	116.9	116.5	117.0
Jun	114.3	114.5	114.5

Turnover 309 (151) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	359¾-360¼	231¼-232¼
Opening	359½-360	231¾-232¼
Morning fix	359.85	232.461
Afternoon fix	359.60	232.196
Day's high	359¾-360¼	
Day's low	359-359½	

Coins	$ price	£ equivalent
Mapleleaf	367-372	236½-239½
Britannia	367-372	236½-239½
US Eagle	367-372	236½-239½
Angel	368½-373½	237½-240½
Krugerrand	358-361	231-233
New Sov.	84½-85½	54½-55¼
Old Sov.	84½-85½	54½-55¼
Noble Plat	480.30-487.50	310.25-315.20

Silver fix	p/fine oz	US cts equiv
Spot	330.70	511.90
3 months	342.00	523.15
6 months	353.50	534.70
12 months	375.90	557.55

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1600	124	116	10	31
1700	56	61	40	73
1800	18	28	101	136
Copper (Grade A)	**Calls**		**Puts**	
2700	214	192	55	104
2800	104	102	141	203
2900	42	49	278	349
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	88		16	
800	55	65	33	60
850	31	62	59	87
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	73	71	15	47
800	42	49	34	74
850	22		64	
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	77		24	47
1750	45	58	46	69
1800	24	37	71	98

US MARKETS

IN THE METALS, gold, silver and platinum swayed around unchanged levels early in the session, reports Drexel, Burnham Lambert. Late day trade and commission house selling weakened the markets near the close. Copper also fell as an expectation of higher L.M.E. stocks weighed on the market. In the softs, sugar featured consolidation after strong gains on Thursday. Coffee was higher on reports of renewed efforts to reintroduce quotas. Cocoa remained quiet. Advances in the soyabean complex were led by the meal with tender business and fund activity providing strength. Maize and wheat trading continued in light volume. The livestocks all closed lower with scattered profittaking and pre-weekend position-squaring. Pork bellies posted the largest decline after Thursday's limit-up move. The energy complex ended the week with a strong rally as increased trade participation *lifted prices through resistance levels.*

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	359.4	360.2	0	0
Oct	361.3	362.6	362.7	359.6
Nov	363.2	364.2	0	0
Dec	365.0	366.0	365.8	363.5
Feb	368.9	369.9	370.1	368.0
Apr	373.0	374.0	374.5	374.0
Jun	377.2	378.2	378.5	377.8
Aug	381.2	382.2	382.0	382.0
Oct	385.4	386.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	472.8	474.0	0	0
Oct	475.3	476.5	478.0	474.1
Nov	476.4	477.6	479.0	479.0
Jan	479.6	480.7	482.5	479.0
Apr	482.1	483.2	485.0	482.0
Jul	484.6	485.9	0	0
Oct	488.1	489.4	489.4	489.4

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	505.3	511.7	512.0	502.3
Oct	508.2	515.0	0	0
Nov	512.6	519.4	0	0
Dec	516.5	523.3	523.5	514.0
Jan	519.7	526.5	0	0
Mar	528.3	535.2	535.0	527.0
May	536.3	543.3	543.0	534.0
Jul	544.6	551.7	551.5	542.0
Sep	553.1	560.3	561.0	550.5
Dec	565.0	572.3	573.0	570.5

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	127.20	129.10	130.10	127.00
Oct	125.60	127.60	128.95	128.75
Nov	124.10	126.20	0	0
Dec	122.60	124.80	125.90	122.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	19.59	19.41	19.64	19.29
Nov	19.28	19.12	19.36	19.02
Dec	19.08	18.93	19.13	18.85
Jan	18.86	18.77	18.91	18.71
Apr	18.57	18.51	18.61	18.49
Jul	18.38	18.37	18.38	18.38

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5580	5560	5600	5520
Nov	5640	5602	5650	5570
Dec	5675	5627	5690	5595
Feb	5520	5479	5520	5465
Mar	5315	5279	5325	5295
Apr	5125	5094	5125	5110
May	4960	4964	4965	4940

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1072	1077	1082	1060
Dec	1081	1079	1086	1071
Mar	1080	1083	1080	1074
May	1093	1095	1100	1087
Sep	1133	1135	1134	1125
Jul	1114	1117	1115	1105
Dec	1160	1163	1165	1156

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	88.25	86.38	89.00	87.25
Dec	87.75	85.88	88.50	86.60
Mar	89.80	88.00	90.45	88.60
May	91.90	89.90	92.35	91.00
Jul	93.88	91.91	94.25	93.25
Sep	95.53	93.25	96.20	95.50
Dec	98.13	96.63	99.50	96.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.58	13.61	13.67	13.45
Jan	12.80	12.83	0	0
Mar	12.84	12.89	12.98	12.78
May	12.63	12.62	12.74	12.55
Jul	12.43	12.45	12.54	12.35
Oct	12.17	12.16	12.22	12.17

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	72.40	72.48	72.95	72.17
Dec	73.31	73.71	74.10	73.21
Mar	74.40	74.93	75.15	74.35
May	75.38	75.87	76.05	75.35
Jul	75.50	76.08	76.22	75.50
Oct	69.70	70.25	70.40	69.70
Dec	67.32	67.75	67.95	67.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	158.65	158.75	159.25	158.50
Nov	142.65	143.40	143.55	142.50
Jan	139.30	140.25	140.50	138.50
Mar	138.90	139.25	140.00	137.60
May	138.70	139.25	139.25	138.00
Jul	138.40	138.85	0	0
Sep	138.20	138.65	0	0
Nov	138.00	138.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 7	Sept 6	mnth ago	yr ago
1902.1	1895.9	1901.8	1874.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.37	129.20	128.73	134.11
Futures	130.85	129.77	128.41	137.76

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	602/4	596/6	608/0	595/0
Nov	594/4	589/0	596/0	587/0
Jan	603/4	599/4	605/0	596/0
Mar	613/6	608/4	615/0	607/0
May	621/6	617/6	622/0	615/4
Jul	624/6	622/4	625/4	619/4
Aug	614/0	613/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	19.05	19.00	19.10	18.95
Oct	19.19	19.14	19.25	18.95
Dec	19.68	19.58	19.70	19.45
Jan	19.90	19.81	19.94	19.75
Mar	20.28	20.20	20.38	20.15
May	20.55	20.47	20.75	20.50
Jul	20.91	20.82	21.05	20.84
Aug	20.91	20.72	21.00	20.91

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	202.8	198.4	203.5	197.9
Oct	191.2	189.0	191.9	188.5
Dec	186.4	185.6	189.0	185.4
Jan	188.2	185.3	188.5	186.0
Mar	187.7	185.1	188.0	184.7
May	187.5	184.5	187.5	184.0
Jul	186.0	183.0	186.0	184.0
Aug	184.0	182.5	184.0	182.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	239/4	236/4	239/6	236/0
Dec	239/2	238/0	239/6	237/2
Mar	246/4	245/2	246/4	244/0
May	251/0	250/4	251/4	249/2
Jul	253/0	252/0	253/4	251/2
Sep	244/4	243/0	244/4	243/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	396/4	397/0	396/6	395/0
Dec	404/6	405/6	406/0	403/4
Mar	408/2	407/6	407/4	405/2
May	391/6	392/4	392/0	389/4
Jul	360/0	360/6	360/4	359/0
Sep	366/0	367/0	368/4	366/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	68.80	69.70	69.70	68.80
Oct	71.87	72.70	72.35	71.75
Dec	72.92	73.27	73.00	72.45
Feb	72.42	72.90	72.70	72.30
Apr	73.62	74.05	73.80	73.45
Jun	71.57	71.85	71.65	71.40
Aug.	70.02	70.07	70.05	69.97

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	39.17	39.75	39.45	39.02
Dec	41.17	41.92	41.47	41.05
Feb	42.85	43.27	42.97	42.60
Apr	40.70	41.05	40.80	40.35
Jun	45.40	45.80	45.65	45.35
Jul	45.85	46.30	0	45.80
Aug	44.70	44.90	0	44.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	45.90	46.82	47.40	45.70
Mar	46.20	47.12	47.50	45.92
May	47.10	48.40	48.35	46.30
Jul	47.65	48.80	48.80	47.60
Aug	47.10	48.40	48.40	47.10

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar ends on weaker note

THE DOLLAR finally ran out of steam ahead of the weekend, failing to make any further attempt at reaching the DM2.00 level against the D-Mark. However, finishing at the day's lows was regarded as a temporary set back for the dollar rather than a change in sentiment. Investors were happy to take profits and square positions ahead of the weekend.

The US unit started on a softer note after further intervention in Tokyo by the Bank of Japan, and from the outset there was little sign of any renewed interest in the US unit. There were fears that central banks would take advantage of the thin trading conditions and quickly counter any attempt to push the dollar higher.

The start of trading in New York provided no fresh incentives, and in the absence of any new economic data, the US unit finished in London at DM1.9800 from DM1.9850 and Y146.25 compared with Y146.90. Elsewhere, it closed at SFr1.7085 from SFr1.7125 and FFr6.6700 from FFr6.6850. On Bank of England figures, the dollar's exchange rate index fell to 72.3 from 72.6. Like sterling, the dollar's short-term direction is unlikely to be settled until after the release next week of US trade figures for July and other important figures.

Sterling finished unchanged on the day; its exchange rate index was the same as Thursday's close at 90.9. Against the dollar, it rose to $1.5485 from $1.5460 but fell in D-Mark terms to DM3.0650 from DM3.0675. It was also lower against the yen at Y226.50 from Y227.00. Elsewhere, it finished at SFr2.6450 from SFr2.6475 and FFr10.3275 against FFr10.3350.

The pound's steadier tone has been made possible by a general lack of interest at the moment in the dollar. High UK interest rates are always likely to attract overseas investors when there is little volatility elsewhere. Sterling's big test is likely to come next week with the release of data on retail sales, average earnings and producer prices. But the test is likely to be one of sentiment rather than official policy. Interest rates are likely to remain high whatever the figures suggest. The only real uncertainty is whether they will be bad enough to spark off another rise in rates. Either way, sterling is likely to retain a significant interest rate differential advantage.

£ IN NEW YORK

Sep.8	Latest	Previous Close
£ Spot	1.5475-1.5485	1.5515-1.5525
1 month	0.63-0.62pm	0.63-0.61pm
3 months	1.85-1.82pm	1.87-1.84pm
12 months	6.50-6.40pm	6.53-6.43pm

Forward premiums and discounts apply to the US dollar

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5460-1.5490	1.5480-1.5490	0.64-0.61cpm	4.84	1.87-1.83pm	4.78
Ireland†	1.3450-1.3495	1.3485-1.3495	0.10-0.05cpm	0.67	0.42-0.32pm	1.10
Canada	1.1845-1.1885	1.1870-1.1880	0.30-0.33cdis	-3.18	0.92-0.97dis	-3.18
Netherlands	2.2265-2.2375	2.2295-2.2305	0.28-0.26cpm	1.45	0.78-0.74pm	1.36
Belgium	41.30-41.48	41.30-41.40	3.00-1.50cpm	0.65	6.00-3.50pm	0.46
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	Sep.8	Previous
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Sep.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

Sep.8	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Sep.8	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.8	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Sep.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Sep.8	£	$
[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Sep.8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

[illegible]	[illegible]	[illegible]

MONEY RATES

[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sep.8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Slightly easier

UK INTEREST rates were slightly lower where changed yesterday, in trading lacking any fresh incentive. Longer term rates retreated a sixteenth of a point helped by the pound's steadier tone; three-month money was quoted at 14-13⅞ per cent compared with 14⅛-14 per cent on Thursday.

The Bank of England forecast a shortage of around £150m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £215m. There was also a rise in the note circulation of £400m and banks brought forward balances £40m above target. These were partly offset by Exchequer transactions which added £490m.

UK clearing bank base lending rate 14 per cent from May 24

The forecast was revised to a shortage of £200m but there was no intervention by the Bank during the morning. A further revision took the shortage to £300m and the Bank bought £200m of eligible bank bills in band 1 at 13⅞-13¾ per cent.

The authorities' apparent determination to nip in the bud any ideas about an early cut in bank base rates was reflected in a rise in the average rate of discount at the weekly Treasury bills tender.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE BUND FUTURES OPTIONS / LIFFE $/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING OPTIONS / PHILADELPHIA SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

AS THE stock market moved ahead – the FT-SE 100 Index closed 8 higher at 2423.9 albeit considerably off its best levels of the day – the traded options market enjoyed one of its busiest days for some time.

Some 42,573 contracts traded, 26,067 of them calls and 16,506 puts. The day's main story was the extraordinary activity in BP, where 11,460 contracts changed hands, 7,346 of them calls. This – the equivalent of nearly 11.5m shares – compared with BP volume in the underlying market of 16m.

Stories about pending asset disposals swirled around the market, encouraging some simple speculative call buying. Some 4,069 contracts traded in the October 300 calls, more than in the entire FT-SE contract. Traders said the market may add some more BP series, suggesting volume would have been still higher with more out-of-the-money series.

Open interest in the calls rose by some 1,500 contracts to 39,490, showing that far from a majority of the volume involved the opening of positions, and in the puts by 200 – to 17,994.

British Gas reflected a general interest in the oil stocks, being the second most active stock. This was put-dominated – 2,661 of them changed hands compared with 649 calls. Some 2,500 of the puts were December 180s. Provisional open interest in the December 180s fell by 1,950 contracts.

The third most active option, TSB, was put-dominated too: 1,584 of the 2,042 contracts were puts, 1,454 in the September 120 series, where open interest fell by 445 contracts.

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MARKETS

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbeycrest	int	1.2†	Nov 1	0.9	-	2.7
British Dredging	int	2.6	Dec 11	2.2	-	6
Elys (Wimbledon)	int	1	-	1	-	13.5
Gartmore Europe	fin	3	-	2.5	3	2.5
McL'ghlin/Harvey	int	3.25†	Oct 30	3	-	9
Nash Industries	int	1.4	-	1.2	-	3
Perry Group	int	2.75	Nov 30	2.75	-	9
Seacon Hldgs ◊	int	1.2	Oct 27	1	-	2.5
Second Alliance	fin	20	-	16	28	23

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ◊Third market.

TRADITIONAL OPTIONS

- First Dealings Aug 29
- Last Dealings Sept 8
- Last Declarations Nov 23
- For settlement Dec 4

For rate indications see end of London Share Service

Calls in Platignum, Geevor, Butte Mng, Aberfoyle, Elect Machinery Wms, Highland Dist, Cookson, Leading Lels, Stoddard, Conroy, Tameris, Sleepy Kids, Kenmare.

COMPANY NEWS IN BRIEF

ADT said it speaks for 4.37m ordinary shares in Carraun (95.25 per cent) and its offer is unconditional as to acceptances and stays open until October 3.

BRITISH AND AMERICAN Film has become a close company for tax purposes following the acquisition by Allied Entertainment Financial Services of an interest in 400,000 ordinary voting shares (30 per cent).

CANNON STREET Investments is to acquire Hull-based Kingston Walker (Plumbing & Heating) for an initial £752,000 in shares. Further consideration up to a maximum of £3.6m is related to KW's profit performance in the three years to March 31 1992. It has also bought Thierry's wine and food services for an initial £2.07m and a possible maximum £5m.

EXPAMET has sold the business and assets of the Videoscan division of Case-Videoscan to Automated Security (Holdings) for £2.25m. This is the last sale in the planned programme of disposals, designed to reduce borrowings. The sale of Videoscan, a closed circuit TV systems operation, excludes the land and buildings at Macclesfield, which have been retained pending future disposal.

LEE (ARTHUR) & Sons has acquired White Knight Products, producer of injection moulded plastic products and a leading maker of cases for compact discs. Initial consideration is £1.58m with a further amount up to £0.7m profit-related. Price to be met by issue of 621,000 new ordinary shares, together with £550,988 cash and £177,000 unsecured loan notes 1991-94.

MSI INTERNATIONAL has acquired Preconomy, for an initial sum of £1.2m. The acquisition is intended to bring precision engineering skills to complement MSI's mechanical engineering division. The initial consideration will be satisfied by £787,359 cash and the rest by the issue of ordinary shares. Further consideration up to £193,000 depends on future profits.

PACIFIC ASSETS Trust: Net asset value at July 31 1989 was 164.3p (167.1p) and 220.9p (156.1p) diluted. Total income for six months period £262,000 (£245,000) and net revenue £7,000 (£8,000). Earnings per 50p share 0.06p (0.4p).

TOR INVESTMENT Trust net asset value per 25p capital share rose from 1087p to 1314p and per income share from 137p to 159p in the year to July 31. Final dividend on the income shares 21.75p (14.4p) to make 30p (21p), while capital dividend for the year up to 3p (2.1p). Net revenue was £1.37m (£980,000) after all charges, including tax.

WYEVALE GARDEN Centres has acquired its 21st garden centre with the purchase of the Van Duke Garden Centre, a three acre site at Wimborne, Dorset.

WORLD STOCK MARKETS

AMERICA

Dow settles but undertone remains bearish

Wall Street

AFTER a nervous morning, equity prices settled around their overnight levels, *writes Anatole Kaletsky in New York.*

A flurry of computer-generated sell orders which hit the market shortly after the opening pushed the Dow Jones Industrial Average down by 20 points below its overnight close at one stage, but bargain hunters came rapidly to the fore trimming the losses and preventing further waves of programme selling. For most of the morning the market showed narrow losses and by 1.30 pm the Dow was down only 1.90 points at 2,704.98.

The tone of the market remained bearish, continuing the losing streak which began after this week's Labor Day holiday. Declining issues outnumbered advances by roughly four to three and volume was moderate with 103m shares changing hands.

The bond and currency markets failed to give any kind of lead, as investors awaited next week's string of economic indicators and the Group of Seven meetings due to be held in Paris. Among the statistics due next week are the July trade figures and the August producer price index.

Bond and currency markets shrugged off hints of higher interest rates in Europe and Japan and the Treasury's long bond settled ⅛ up at 100¼, at which it yielded 8.10 per cent.

There was some further flattening among the blue chip stocks which had led the market's recent rally. Coca-Cola fell $1¼ to $63½ and Goodyear Tire, mentioned a few days ago as a takeover candidate, gave up $⅝ to $57.

Oils were again a relatively strong sector as the market continued to reassess the prospects for energy prices. Exxon rose $¼ to $43⅞ and Chevron advanced $⅜ to $59⅝. Valero Energy, a rumoured takeover target, rose $1 to $17⅞.

The airline sector was weak, in spite of a story that the machinists' union at United Airlines was talking to Kohlberg Kravis Roberts about a possible leveraged buyout to rival the bids from the pilots' union and from Mr Marvin Davis. UAL fell $2¼ to $279¾. AMR, the parent company of American Airlines fell $1⅛ to $81¼ as takeover speculation continued to abate.

Another significant takeover development was a $1⅛ fall to $8⅝ in Recognition Equipment, a scientific instrument maker. Prospect Group, a venture capital outfit, said it had failed to obtain financing for its $11 a share tender offer.

Canada

PRICES were generally lower in moderate trading. The 300 composite index was down 11.2 at 3,952.0, with declines marginally leading advances.

Gold, industrial and consumer products and energy stocks posted smaller losses, while banking stocks were steady. Mining stocks showed the largest fall with Inco down C$⅛ at C$41 and Alcan down C$⅜ at C$28⅛.

EUROPE

Happy Frankfurt contrasts with sorry Milan

ANOTHER week ended in Europe with a string of highs, but Milan remained depressed, *writes Our Markets Staff.*

FRANKFURT had a spring in its step, with volume up from DM5.3bn to DM6.2bn and the DAX index 16.42 higher at a new all-time high of 1,657.61, a rise of 3.1 per cent on the week.

Good economic news and stable interest rates provided the base. Inflation in August slowed to 2.9 per cent, GNP rose 4.9 per cent in the second quarter and the Bundesbank left key interest rates unchanged on Thursday. The FAZ index, still well below its all-time high, was 6.55 higher on the day and 3 per cent higher on the week at 685.92.

Siemens, joint winner of the bid for Plessey in the UK yesterday, took the lead with a DM9 rise to DM616 in volume of DM508m. Chemicals followed, with BASF adding DM4.80 to DM305.80 and Bayer DM3.70 to DM319.00.

Daimler held its own on the conditional approval of its merger with MBB, rising 50 pfg to DM840 with its interim results and a press conference to come on Monday, when terms may be fixed for an expected DM2bn rights issue.

MILAN fell for the third consecutive session in lively but nervous trading, the Comit index ending 3.75 lower on the day, and 3.1 per cent lower on the week at 711.26.

Traders blamed the selling pressure on the Banca Nazionale del Lavoro (BNL) scandal, but it was interesting that banks benefited from bargain hunting after falling earlier in the week. Banca Commerciale rose to L99 to L5,260 while Credito Italiano rose L62 to L2,750.

After hours, the eagerly-awaited Enimont offer of 850m shares was set at a price of L1,420 a share to raise L1,207bn. The issue price is at the higher end of the L1,250-L1,550 prospectus range, but lower than the L1,500 plus which some analysts were talking about earlier this week.

PARIS ended flat after rising strongly and then being knocked back towards the close. The early gains were based on foreign interest following some strong interim results earlier in the week and Suez's record takeover bid in the insurance sector.

However, fresh concern about the profits outlook for the electronics company Thomson-CSF and a poor start on Wall Street pulled the market back. The OMF 50 index closed 0.46 higher at 533.13, a rise of 1.8 per cent over the week. The opening CAC General index, however, was at a record high of 540.5, up 7.

Because of heavy trading in Thomson and in Groupe Victoire, the subject of the Suez takeover, turnover was estimated to be above FFr3bn, after FFr2.8bn on Thursday.

Victoire, which had been suspended for four days, jumped FFr387, or nearly 22 per cent, to FFr2,180 with 471,000 shares traded, still some way below the sweetened Suez offer of FFr2,276.

Meanwhile Cie Industrielle, the other Suez target which is the main shareholder in Victoire, fell FFr270 to FFr14,350. In both cases, some people opted to take profits rather than waiting until December to receive their cash from Suez.

Suez itself rose FFr12 to FFr398 on enthusiasm for the takeover and expectations that it will not adversely affect group earnings this year.

Thomson fell FFr8.50 to FFr191, while Peugeot was off FFr11 at FFr959 as talks failed to resolve the strike at its Mulhouse plant. Carrefour, the retailer, dropped FFr59 to FFr3,555 after jumping FFr84 on Thursday.

MADRID made another assault on its all-time high, ending just below it after a heavy day's trading, concentrated in the electrical utilities. The general index gained 2.76 to a year high of 327.52, a rise of 1.6 per cent on the week. The peak, which could well be passed next week, is 328.36.

Utilities were fuelled by the plans by West Germany's RWE to take a stake in Union Fenosa and by the long underperformance of the sector. Foreign money, especially from the US and UK, was behind much of the rise; turnover was thought to be slightly below Thursday's active $111m.

AMSTERDAM managed another record in its fourth straight gain, but the tone was mixed as profit-taking followed Wall Street's weakness. The CBS all-share index reached 210.5, up 1, and the tendency index rose 0.5 to 196.8, a gain this week of 3 per cent.

Philips remained a favourite, rising 80 cents to Fl 47.50 for a three-day gain of 9 per cent.

OSLO remained in buoyant mood before the general election next Monday, with the focus on economic recovery and higher oil prices rather than political uncertainty. The all-share index rose 4.98 to 532.23 in active trading.

ZURICH traded lightly before a local holiday on Monday, the Crédit Suisse index easing 1.6 to 670.2 for a rise of 1 per cent on the week. Investors seemed disappointed by Thursday's ruling by the Swiss Banking Commission that Crédit Suisse must hold equity capital to back the group's non-banking subsidiaries.

BRUSSELS closed lower as investors became nervous about a correction. The cash index shed 12.81 to 6,597.41.

Bekaert, the steel wire producer, rose BFr100 to BFr15,750 after reporting a 19 per cent rise in first half profits, while the glassmaker Glaverbel gained BFr70 to BFr5,650 after news of a 17.5 per cent increase in interim results.

STOCKHOLM ended with broad gains in fairly active trading. The Affärsvärlden General index closed up 0.5 at 1,318.2, a fall of 1.5 per cent on the week.

Following an advance on Wall Street, Ericsson rose SKr22 to SKr807 and Volvo advanced SKr14 to SKr496.

SOUTH AFRICA

THE steady bullion price helped gold shares in Johannesburg to close quietly firmer in a market which mostly drifted lower.

ASIA PACIFIC

Weakness in bonds leaves Nikkei lower

Tokyo

EARLY hopes of a rally were deflated by weakness on the bond market, and equities closed the week with a fourth consecutive loss, *writes Michiyo Nakamoto in Tokyo.*

The market opened in buoyant form, rising more than 100 points in morning trading, but profit-taking and concern about interest rates left the Nikkei average down 36.75 on the day at 34,115.81 against a high of 34,315.68 and a low of 34,106.92. The fall on the week was 1.1 per cent.

Declines outnumbered advances by 568 to 408 with 148 unchanged. Turnover, however, rose substantially to 791m shares from the 637m traded on Thursday. The Topix index of all listed shares dropped 10.27 to 2,583.12. In London, the ISE/Nikkei 50 index rose 0.44 to 2006.84.

Interest was scattered among a wide range of small companies with good earnings, or special characteristics. Investors have been keen on small issues, as their lack of liquidity makes them volatile.

High volume issues stayed in the doldrums. Steels, in particular, have seen considerable losses recently, but Mr Norio Watanabe of Crédit Suisse expects that they will come back into favour once institutional investors decide that the downswing is over.

Yesterday, indeed, saw a mild recovery by Nippon Steel, third in volume with 14.1m shares, inching up Y2 to Y767 after considerable losses recently. Sumitomo Metal, most actively traded with 25.4m shares, lost Y5 during the day but closed unchanged at Y755.

Among smaller issues with good earnings, Sanwa Shutter was second in the volume table with 15.7m shares, and rose Y80 to Y2,250. Other housing-related issues also firmed, with Sekisui House up Y40 to Y2,360 and Daiwa House up Y110 to Y2,620, both in active trading. The increasing wealth of Japanese consumers is turning attention to better housing.

The retail sector was still popular. US pressure to relax restrictions on superstore construction, said to inhibit imports into Japan, has triggered speculation that there will be a major restructuring of the retail industry.

At the same time, moves by Shuwa, the property company, to buy into the retail sector have added takeover excitement to the sector and introduced a further reason why restructuring might happen. Daimaru, a department store, attracted considerable interest and rose Y50 to Y1,800 in active trading.

Osaka suffered an onslaught of profit-taking and the OSE average closed down 105.88 at 34,602.79. Volume crept up to 99.5m shares from the 93.8m traded on Thursday. Nintendo, the video game maker, lost Y600 to Y11,800.

Roundup

YESTERDAY'S surprise was a jump in prices and turnover in Hong Kong, but all Asia Pacific markets were firm.

HONG KONG ended the week in fine form as US and Japanese buyers sought blue chips. The Hang Seng index climbed 37.47 to 2,620.63, a rise of 1.4 per cent on the day and of 4.5 per cent on the week.

Turnover jumped to HK$1.12bn, sharply higher than in recent days. Thursday's volume was HK$797m.

The rise "caught quite a few people on the hop," said one analyst, although the market had recently found firm support around 2,500. "There's a general feeling that the market has substantially underperformed against other markets in the past couple of weeks," he said, adding that rumours of a restructuring at Cheung Kong and Hutchison Whampoa, in the Li Kashing stable, had fuelled buying interest.

Hongkong Bank, which goes ex-dividend next Thursday, saw heavy turnover of 16m shares and rose 25 cents to HK$8.

AUSTRALIA rallied from two days of losses in heavy turnover, with the All Ordinaries index up 7.1 at 1,758.2, a rise of just 0.5 per cent on the week.

Volume of 428m shares worth A$866m was pushed up by the placing by brokers BZW Meares of 154m shares, or nearly 15 per cent, of Goodman Fielder Wattie with Australian and foreign institutions. The shares were sold to Ranks Hovis MacDougall of the UK. Goodman Fielder lost 10 cents to A$2.20.

Bond Corp fell 3 cents more to 40 cents and Bell Resources shed 5 cents to 80 cents after Thursday's news of the investigation by the National Companies and Securities Commission.

SINGAPORE continued to enjoy support from institutional buyers in another day of hefty turnover although some retail investors took profits. The Straits Times industrial index climbed 13.06 to its fourth consecutive post-crash high of 1,419.89, up 4.1 per cent since the previous Friday.

Volume reached 121m shares, up from 106m on Thursday.

TAIWAN hit another record high, with the weighted index up 183.98 at 10,356.47, giving a week's gain of 2.7 per cent.

NEW ZEALAND picked up from a two-day fall as news of the NZ$2.40 Air New Zealand issue price spread through the market. The Barclays index added 23.59 to 2,378.45, down 1.5 per cent this week.

SEOUL rose gently from five consecutive losses and the composite index ended 6.1 higher at 963.30, down 2 per cent from the previous Friday.

Bid activity pushes Paris into uncharted territory

George Graham on ramifications of the Suez deal

AFTER a summer of unusually sustained buying, the French market finally scaled once again the peaks it reached before the stock market crash of 1987 and kept on climbing into uncharted territory.

With the CAC index still reaching records and climbing to 540.5 yesterday, however, it has been bid news that has kept the market most active.

The bid by Compagnie Financière de Suez, the investment and banking company, for Groupe Victoire, one of France's leading private sector insurers, was the largest France had ever seen: FFr24.1bn put on the table for the first, contested offer, and FFr27.4bn for the sweetened offer that has now been accepted.

There was also hectic activity in little-known shares vaguely connected to the bid, which illustrated not only the complicated ownership structures of many French listed companies but also the narrowness of the Paris market – fewer than 50 stocks regularly trade in volumes greater than FFr10m a day.

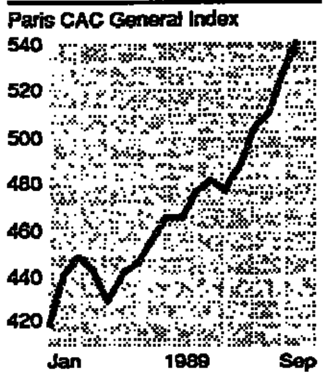
The takeover battle itself was not for Victoire but for Compagnie Industrielle, which has little or nothing industrial about it but existed principally as the holding vehicle for a 40 per cent controlling stake in the insurance company.

The battle, in fact, ended quickly. Mr Jean-Marc Vernes, chairman of Compagnie Industrielle and its largest shareholder, decided not to mount his own bid to counter Suez's; he capitulated, after extracting a 13.8 per cent increase in the price offered by his adversary.

But shareholders in Victoire will have to wait until December 18 before the bid acceptances have finally been counted by the stock exchange and they can receive their money. Speculators who bought Compagnie Industrielle shares after Suez launched its bid in the hope of an increased offer may be even more disappointed: the company's shares are all nominative, and registration can take so long that they may not be on the books in time to accept the sweetened Suez offer.

France

Paris CAC General Index



Suez itself continues to feel misunderstood by the market. At FFr367 a share, the level at which it traded earlier this week, the entire group was valued at just over FFr38bn, less than the value placed by its offer on Groupe Victoire and a discount of more than 40 per cent to its own estimation of its net asset value.

"It will take time for the stock market to take account of the change in Suez. Gradually, the market will get used to the idea that we are not long just a portfolio investment company," comments Mr Renaud de la Genière, the group's chairman.

Some experienced Paris analysts believe Mr de la Genière may be right, although the share price has shot up in the past two days to close yesterday at FFr398.

"I think Suez is a good investment. But you must not be in a hurry, it will take six months or a year for a substantial reassessment," commented one market specialist, adding that Suez's outstanding warrants, whose exercise is fixed at 95 per cent of the average share price of the previous three months, will continue to put a brake on the company's performance.

For the market as a whole, the Suez takeover of Victoire promises a substantial injection of fresh capital. Suez will be paying out up to FFr27.4bn on the parallel offers for Compagnie Industrielle and Victoire. Around FFr3.3bn of this could go to Victoire subsidiaries and end up financing the group's own acquisition of Colonia, the West German insurance company, and more could be offset by sales of other items in Suez's portfolio; but this will still leave a substantial cash injection into the market, assuming that Suez succeeds in reselling 49 per cent of Victoire, as it hopes, to other insurance companies, thus mopping up "industrial capital" rather than institutional investment money that might otherwise be placed in the stock market.

The increase in the market's liquidity could be an important reason for the index to press on into higher ground, many stockbrokers believe.

"Liquidity is one thing which might push this market further than it would otherwise logically go," comments Mr Joe Hall, of brokers Bacot-Allain, the French arm of S.G. Warburg Securities.

Mr Hall notes that a rule change in October will mean that equity unit trusts are no longer obliged to hold 30 per cent of their portfolios in bonds. Theoretically, this could release over FFr50bn from the bond market into the equity market, although the shift may not all take place immediately.

In addition, Japanese institutions have started to look with keen interest at the French market, and this could translate into an improved performance, especially for stocks with well-known brand names such as Moët Hennessy-Louis Vuitton (LVMH) or L'Oréal.

Strong company profits seem likely to underpin this movement. First half results from companies like Rhône-Poulenc, the state-controlled chemicals company whose non-voting certificates of investment are traded on the Paris exchange, and Elf Aquitaine, the oil company, have shown strong gains, and analysts are expecting an across the board improvement of 15 per cent in 1989 corporate earnings. Some companies have already seen this gain show up in their share prices, however, and may mark time for a while.

"I still think that the index will pass 550 before the end of the year, but the name of the game is still stock-picking," concludes a seasoned financial analyst.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 7 1989						WEDNESDAY SEPTEMBER 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	153.12	-1.2	146.84	133.77	-1.3	4.72	154.96	147.98	135.53	157.14	128.28	142.20
Austria (19)	149.81	-0.7	143.67	154.57	+0.9	1.57	149.09	142.37	153.26	160.67	92.84	97.62
Belgium (63)	133.29	-0.4	127.82	136.74	+0.0	4.05	133.88	127.88	136.69	137.97	125.58	114.85
Canada (123)	150.07	-0.8	143.91	128.66	-0.3	3.13	151.04	144.24	129.00	153.59	124.67	117.35
Denmark (36)	190.23	-0.6	182.42	199.41	-0.3	1.57	191.30	182.69	200.02	219.69	155.35	122.66
Finland (26)	129.57	-0.8	124.26	121.80	-0.1	2.25	130.35	124.48	121.90	159.16	125.81	115.86
France (126)	130.92	+0.3	125.55	137.29	+0.8	2.75	130.49	124.62	136.17	133.44	112.57	91.91
West Germany (98)	97.56	-0.6	93.56	100.68	-0.1	2.08	98.18	93.75	100.80	100.53	79.58	68.43
Hong Kong (46)	108.65	+0.2	104.10	108.83	+0.2	5.10	108.32	103.44	108.61	140.33	86.41	102.46
Ireland (17)	150.97	-1.3	144.78	158.46	-0.3	2.80	152.98	146.09	159.73	166.89	125.00	133.19
Italy (97)	92.08	-1.9	88.31	97.96	-1.5	2.59	93.91	89.68	99.35	95.73	74.87	70.06
Japan (455)	176.19	-0.9	168.97	163.61	-0.5	0.49	177.77	169.76	164.40	200.11	164.22	159.09
Malaysia (36)	194.91	+0.8	186.92	202.91	+0.8	2.40	193.41	184.70	201.34	194.91	143.35	139.03
Mexico (13)	304.67	+1.4	292.18	654.48	+1.1	0.59	300.77	287.23	645.14	304.67	153.32	147.35
Netherland (43)	126.84	+0.9	121.64	129.48	+1.4	4.03	125.76	120.10	127.65	130.67	110.63	102.05
New Zealand (20)	84.07	-2.9	80.62	75.80	-2.6	4.60	86.56	82.66	77.86	88.18	62.64	72.90
Norway (24)	184.48	+0.1	176.91	180.65	+0.4	1.43	184.32	176.02	180.13	198.39	139.62	108.14
Singapore (26)	169.52	+0.7	162.57	154.68	+0.6	1.81	168.40	160.81	153.46	170.62	124.57	122.41
South Africa (60)	157.59	+0.3	151.13	136.97	+0.7	4.12	157.14	150.06	136.03	157.59	115.35	108.71
Spain (43)	158.17	-0.4	151.68	148.52	-0.1	3.48	158.74	151.59	148.70	160.94	143.14	139.14
Sweden (35)	178.47	-0.7	171.16	176.62	-0.4	1.94	179.71	171.62	177.39	188.94	138.45	114.67
Switzerland (64)	89.72	-0.7	86.04	95.25	-0.2	1.96	90.32	86.26	95.42	94.16	67.81	74.93
United Kingdom (307)	153.26	+0.6	146.96	146.96	+0.6	4.60	152.28	145.42	145.42	159.41	133.28	122.98
USA (549)	141.77	-0.3	135.96	141.77	-0.3	3.28	142.13	135.73	142.13	143.84	112.13	108.67
Europe (996)	126.68	+0.0	123.40	128.28	+0.5	3.22	126.62	122.83	127.62	132.62	112.63	101.09
Nordic (121)	163.92	-0.6	157.19	159.26	-0.3	1.76	164.85	157.42	159.70	176.38	137.95	108.61
Pacific Basin (670)	172.88	-0.9	165.79	160.47	-0.5	0.73	174.41	166.55	161.28	194.72	160.44	156.15
Euro – Pacific (1666)	155.34	-0.6	148.97	147.44	-0.2	1.57	156.23	149.19	147.68	166.98	141.56	134.13
North America (672)	142.16	-0.3	136.33	140.95	-0.3	3.26	142.56	136.14	141.31	144.24	112.79	109.12
Europe Ex. UK (691)	113.07	-0.4	108.43	118.70	+0.1	2.63	113.53	108.41	118.61	116.28	96.30	87.40
Pacific Ex. Japan (215)	132.90	-0.4	127.45	123.98	-0.6	4.51	133.86	127.83	121.91	137.65	111.93	120.67
World Ex. US (1864)	155.27	-0.6	148.90	146.95	-0.2	1.64	156.15	149.11	147.18	166.35	141.49	133.31
World Ex. UK (2106)	149.03	-0.6	142.91	144.95	-0.3	2.01	149.88	143.13	145.44	155.96	136.98	123.81
World Ex. So. Af. (2353)	149.34	-0.5	143.21	145.19	-0.2	2.18	150.04	143.28	145.48	155.92	136.67	123.81
World Ex. Japan (1958)	137.04	-0.2	131.42	135.96	+0.0	3.31	137.28	131.10	135.96	138.29	114.51	106.77
The World Index (2413)	149.39	-0.5	143.26	145.13	-0.2	2.19	150.08	143.32	145.41	155.89	136.68	123.72

Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 3

London County 2½% Cons Stk 1920(or after) – £24
Greater London Council 6¾% Stk 90/92 – £89♦
Birmingham District Council 11½% Red Stk 2012 – £105¼
Blackburn Corp 3½% Irrd Stk – £26 (1Se89)
Islington Corp 12.85% Red Stk 2007 – £113¾ (5Se89)
Liverpool Corp 3% Red Stk 1942(or after) – £22 (6Se89)
Sunderland(Borough of) 11¾% Red Stk 2008 – £108 ⅛ (5Se89)

UK Public Boards
No. of bargains included 5

Agricultural Mortgage Corp PLC 6¼% Deb Stk 92/94 – £83 (5Se89)
6⅝% Deb Stk 85/90 – £93 (1Se89)
7¼% Deb Stk 91/93 – £85
10¼% Deb Stk 92/95 – £96 (6Se89)
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 – £46
Southwark & Vauxhall Water Co 3% Deb Stk – £30
Port of London Authority 6¼% Reg Stk 87/90 – £85½

Foreign Stocks, Bonds, etc–(coupons payable in London) No. of bargains included 13

Hungary.(Republic of) 7½% Stg Bds(Assd Lon 1968 Sett) – £72 (5Se89)
Spain(Govt of) 4%(Sealed Bds) – £30 (5Se89)
Abbey National Building Society 8⅝% Bds 1993 – $99 (5Se89)
Anglo Group PLC 9½% Cnv Bds 1999 (Reg) – £148 56
Associated Newspapers Holdings PLC 8¼% Gtd Exch Bds 2003 – £183¼ (5Se89)
Barclays Bank PLC 10¾% Senior Subord Bds 1997 – £95½ ¾ (4Se89)
12% Nts 1992 – £99½♦ ¼♦
British Oxygen Finance BV 10¾% Gtd Bds 1993 – $100¾ (5Se89)
Burton Group PLC 4¾% Cnv Bds 2001 (Br£1000&5000) – £107 (4Se89)
Commonwealth Bank of Australia 14% Nts 1994 (BrSA1000&10000) – SA99 (5Se89)
Cookson Finance NV 5¾% Gtd Red Cnv Prf 2004 (BrShs 1&5) – £112½ (6Se89)
Federal Business Development Bank [illegible]

Banks and Discount Companies
No. of bargains included 1456

Ansbacher(Henry)Hldgs PLC 8% Cnv Subord Ln Stk 1998 – £77 (5Se89)
Australia & New Zealand Banking Go New $A1(50% Pd&Rtg 50% Div Till 30/9/90) – 149 (5Se89)
Barclays PLC ADR (4:1) – $33 748875 .798873 (5Se89)
Barclays Bank PLC 7½% Uns Cap Ln Stk 86/91 – £91 (6Se89)
8¼% Uns Cap Ln Stk 86/93 – £90½ ¾ 1 ¼
[illegible]

Breweries and Distilleries

[illegible]

Registered Housing Associations

[illegible]

Commercial, Industrial, etc

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Insurance

[illegible]

Investment Trusts

[illegible]

Financial Trusts, Land, etc

[illegible]

Mines – Miscellaneous

[illegible]

Mines – South African

[illegible]

Oil

[illegible]

Property

[illegible]

Plantations

[illegible]

Railways

[illegible]

Shipping

[illegible]

Utilities

[illegible]

Water Works

[illegible]

Unit Trusts

[illegible]

Miscellaneous Warrants

[illegible]

USM Appendix

[illegible]

The Third Market Appendix

[illegible]

Rule 535(2)

[illegible]
Tadpole Technology PLC Ord 10p – £1.2 (4Se89)
Thwaites(Daniel)& Co PLC Ord 25p – £2.52 (5Se89)
Transatlantic Hldgs PLC Ord 50p – 315 (4Se89)
Pfd Ord 50p – £3.15 (6Se89)
Weetabix Ld "A" Non.V Ord 25p – £5.3 (1Se89)
Yates Bros Wine Lodges PLC Ord 25p – £2.7‡ (5Se89)

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Expln £1 (4/9)
Aust. Foundation Inv 74♦A$1.605 (1/9)
Aust. Oil & Gas 40, A$0.78 (6/9)
Boral Ord. A$4.2487,.25,.27359 (6/9)
City Developments $2.324, S$4.50142,.55,.5757
Commodore International $9.5♦ (1/9)
Conex Aust 3 (6/9)
Cons. Gold Mining Areas 4
Cultus Resources 16
Denison Mines B C$4.25 (1/9)
Devex 14
Equity Silver Mines $3.7367♦
Forest Laboratories $23.25, .5 (4/9)
Haw Par Bros Int (Singapore Reg) S$2.99046 (5/9)
Highveld Steel & Vanadium R19.45, .5, .55, .6
Killinghall Tin (Malaysia) Berhad Ord S$2.18795 (5/9)
Kuala Sidim Rubber 35♦ (4/9)
Kulim Malaysia Ord 34♦35 (5/9)
Kulim Malaysia Ord (Malay Ord) M$1.73 (6/9)
Lawter International $12.83, .875, 134
Malaysian Airline System M$9.09489 (5/9)
Malaysian Plantations S$1.54, M$2.1 (5/9)
National Electronics (Consolidated) 3,4.5 (6/9)
Nixdorf Computers AG Pf DM351.94♦ (5/9)
Noranda £14.25♦ (5/9)
North Flinders Mines A$2.307
Ocean Resources 20♦ (5/9)
Oil Search 39, A$0.833
Oilmet 12 (6/9)
Orbit Oil & Gas 35
Palabora Mining $15.2, R62, .25 (6/9)
Phoenix Oil & Gas A$0.488 (6/9)
Regal Hotels (hldgs) HK$1.57 (1/9)
Samantha Expln A$0.83 (5/9)
Selangor Coconuts S$1.7387 (6/9)
Singapore Land S$13.32633 (5/9)
Sky Line Explortn £2.2, .3 (4/9)
Southern Union Co £8♦ (5/9)
Stelco Class 'B' Conv £12.5 (6/9)
Strategic Minerals Corp A$0.5
Target Resources 22
Victoria Petroleum 8.5
Westfield Minerals 65 (6/9)
Windsor Industrial HK$8.70818,.70861,.75♦
Zanex A$0.01 (4/9)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Steady close to the week in equities

LONDON stocks rounded off a confusing week with a successful trading session, although share prices ended well off the top as end of week profit-taking was encouraged by a dull opening on Wall Street. A significant increase in turnover indicated active two-way interest from the institutions, and US and European as well as domestic interest was identified.

The cautious recovery in confidence, for the short term, at least, was stimulated by a number of market factors. Mid-afternoon brought the announcement that the GEC/Siemens bid for Plessey had been declared unconditional - implying both a substantial cash input to the market and a further shrinkage in total equity.

Account Dealing Dates			
First Dealings:	Aug 14	Sep 4	Sep 18
Option Declarations:	Aug 31	Sep 14	Sep 28
Last Dealings:	Sep 1	Sep 15	Sep 29
Account Day:	Sep 11	Sep 25	Oct 9

*New time dealings may take place from 9.00 am two business days earlier.

A small buy programme was operated yesterday morning by a leading US investment house, and a UK brokerage house recommended building shares.

The Footsie Index put on nearly 20 points in early trading, with oil shares moving ahead strongly following bullish comments from the chairman-in-waiting of British Petroleum. Shares boiled over quite quickly, however, and were further unsettled by Wall Street's early fall of 13 points. Only in the final hour did the UK market renew its climb.

At its final reading of 2,423.9, the FT-SE Index was 8 points up, and still 2 points below the most recent high for the year. Over the week, the Footsie Index has gained a net 16.4 points after making several unsuccessful attempts to breach its all-time high of 2,443.4, reached in July 1987.

This week saw equities face serious tests in the shape of the first corporate results since domestic interest rates moved to present levels, and the first rights issue for some time. However, these tests have been passed without much difficulty, Polly Peck shares rising despite its £283m rights call.

Market strategists, while slightly cautious for the near-term, express optimism for the future. Nomura Research warns that "a period of consolidation" could take the market back to Footsie 2,300; but it adds that Tokyo institutions show increasing interest in overseas stock markets, and this could have "dramatic" effect on the UK. By mid-1991, Nomura sees theFootsie at 3,200. S.G. Warburg Securities believes equities will establish a trading range of Footsie 2,350-2,450 for the next few months.

Increased Seaq trading volume of 791.3m shares yesterday, against 508.9m on Thursday, supported market confidence. Daily equity volumes have been relatively low since the beginning of the week, according to Stock Exchange data. Turnover has been boosted by active intra-market business as market makers have been caught short of stock as share prices have moved sharply and erratically.

FINANCIAL TIMES STOCK INDICES

	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.06	86.14	86.02	86.26	86.46	86.60	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.91	96.87	97.07	97.18	97.83	95.63	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	2003.7	1999.1	1978.7	2008.6	2003.8	1398.5	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	204.9	203.8	201.2	200.6	198.6	183.8	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2423.9	2415.9	2390.8	2426.0	2419.2	1738.4	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	3.95	3.94	3.99	3.93	3.94	4.88				
Earning Yld %(full)	9.48	9.47	9.58	9.41	9.43	12.34				
P/E Ratio(Net)(*)	12.73	12.74	12.62	12.81	12.78	9.84				
SEAQ Bargains(5pm)	29,991	25,686	27,866	28,135	28,292	17,311				
Equity Turnover(£m)†	-	1001.65	1030.76	827.35	823.48	870.78				
Equity Bargains†	-	25,540	30,118	28,270	39,932	20,321				
Shares Traded (ml)†	-	408.6	426.8	353.1	343.8	298.0				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ∅ Nil 12.60

Ordinary Share Index, Hourly changes — Day's High 2013.0 — Day's Low 2001.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2011.6	2008.9	2005.5	2005.7	2004.7	2005.8	2006.9	2004.2

FT-SE, Hourly changes — Day's High 2435.7 — Day's Low 2423.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2433.3	2431.3	2426.4	2427.8	2426.9	2428.4	2429.9	2425.3

S.E. ACTIVITY

Indices	Sep 7	Sep 6
Gilt Edged Bargains	80.4	81.3
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5—Day average		
Gilt Edged Bargains	80.8	82.6
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	830	202½	+½
Abbey National	12,000	153	+3½
Allied-Lyons	3,300	565	-6
Amstrad	2,650	79	
Argyll Group	632	255	
Ass. Brit. Foods	238	409	+4
BAA	4,700	353	
BAT Inds	850	813	-3
[illegible]	1,600	308	+3
[illegible]	532	552	+2
[illegible]	851	533	
[illegible]	1,400	240	-3
BTR	4,000	473	-3
[illegible]	2,100	544	+3
[illegible]	849	1130	+7
[illegible]	1,600	244	+1
[illegible]	3,590	315	+8
[illegible]	1,900	163	-3
[illegible]	944	701	-4
British Airways	3,280	213	-1
British Gas	5,600	210½	+3½
[illegible]	1,000	394	-2
[illegible]	16,000	319	+5½
[illegible]	12,000	78	+½
[illegible]	3,900	275½	+2½
[illegible]	515	639	-1
[illegible]	812	260	-1
Cable & Wireless	3,000	611	+13
[illegible]	1,400	403	+1
Carlton Comms	1,500	939	+7
Commercial Union	2,300	440	+9
Cons. Gold Fields	0	1480	

Stock	Volume 000's	Closing Price	Day's change
Cookson	2,300	349	-11
Courtaulds	667	388	+2
Dalgety	1,400	424	-5
Dixons	2,800	164	-2
Eng. China Clays	341	470	+1
Enterprise Oil	549	609	+5
FKI	5,280	106	+2½
Fisons	541	350	-2
General Accident	746	1073	+13½
General Elec.	6,700	267	+2½
Glaxo	931	1594	-15
Globe Inv	275	200	-½
Glynwed Int.	580	311	
Granada	527	354	-4
Grand Met.	2,600	634	-7
GUS A	228	1175	+7
GRE	2,000	328	+5
GKN	820	458	-2
Guinness	754	606	+2
Hammerson 'A'	595	809	+13
Hanson	4,200	230	-3½
Harrisons & Cros.	1,600	174	-1
Hawker Siddeley	80	768	-2
Hillsdown Hldgs	2,350	318	+7
IMI	467	253	+1
Imp. Chem.	851	1259	-7
Inchcape	1,400	305	+4
Jaguar	263	414	-3
Kingfisher	1,000	338	+3
Ladbroke	3,300	342	-7
Land Securities	481	596	-4
Laporte	28	513	-1

Stock	Volume 000's	Closing Price	Day's change
Legal & General	836	374	+2
Lloyds Bank	1,600	416	+3
LASMO	1,000	541	+4
Lonrho	982	307	
Lucas	178	680	+4
MB Group	412	218	-5
MEPC	388	595	-4
Marks & Spencer	2,600	221	
Maxwell Comm.	1,508	192	-1
Midland Bank	2,300	379	+1
Nat. West. Bank	2,200	347	-1
Next	326	137	
Northern Foods	4,900	352	-10
Pearl	416	516	+7
Pearson	869	764	-7
P & O	413	665	-3
Pilkington	1,900	260	-1
Plessey	119,60	267	-1
Polly Peck Intl.	11,000	413	+44
Prudential	3,200	215	+2
RHM	1,700	469	+7
RMC	69	709	+2
RTZ	1,030	538	+1
Racal	4,400	239	-1
Rank Org.	906	917	-9
Reckitt & Colman	530	1222	-11
Redland	333	567	
Reed International	888	447	+1
Reuters	338	975	+2
Rolls Royce	3,800	200½	+2
Rothmans	152	658	-3
Royal Bk of Scotland	173	181	+1

Stock	Volume 000's	Closing Price	Day's change
Royal Insurance	2,500	476	+11
STC	1,400	377	-7
Saatchi & Saatchi	861	319	-2
Sainsbury	553	284	-2
Scott & Newcastle	1,030	392	+2
Sears	3,400	127	-2
Shell Transport	4,400	453½	+7½
Siebe	940	581	+21
Slough Ests	377	367	-3
Smith & Nephew	5,610	138½	+1½
SmithKline Beecham	6,000	606	-7
Smiths Industries	528	315	
Standard Chartered	763	531	-4
Storehouse	1,300	132	-1
Sun Alliance	3,200	319	+5
T&N	1,200	237	-1
TSB	3,300	115	+3
Tarmac	1,100	293½	+½
Tate & Lyle	78	237	
Taylor Woodrow	717	292	-5
Tesco	1,900	210	-1½
THORN EMI	1,615	887	+2
Trafalgar House	5,130	395	+3
Trusthouse Forte	2,600	354	+5
Ultramar	717	350½	
Unilever	606	602	
United Biscuits	1,000	401	-2
Utd Newspapers	28	435	
Wellcome	2,430	705	-13
Whitbread 'A'	1,300	455	-2
Williams Hldgs.	963	273	-1
Wolseley	1,660	252	-4

Final call at Plessey

The existence of Plessey as a stock market entity effectively came to an end yesterday when GEC shareholders approved the GEC/Siemens moves and the consortium's stockbrokers moved into the market to buy Plessey stock.

BZW, the investment bank bought some 62.8m shares in the market paying 268p a share. Earlier GEC/Siemens had revealed acceptances of 48.6 per cent. The shares bought in the market together with the stock already spoken for by the consortium brought the GEC/Siemens holding up to over 62 per cent and the bid was declared unconditional.

The Plessey share price ended the session at 267p, down a penny, with turnover reaching 123m. GEC shares settled 2½ up at 267p on turnover of 6.7m shares.

The focus in the electronics sector now shifts to GEC, with the market waiting for Lord Weinstock's next move. "It will be very interesting to see the next stage of GEC's so-called plan for Europe," said one analyst.He added "It's been a hell of a year what with the CGE, General Electric and Plessey deals and we're assured that there is plenty more to come."

US buying of BP

Thursday's news of the appointment of Mr Robert Horton as the new chairman of BP, with Mr David Simon appointed as deputy chairman of the UK oil group was said to have been one of the main reasons behind a wave of American-sourced buying of BP shares.

The American buying was only part of some substantial demand for BP shares which eventually closed one of their busiest sessions for some considerable time, with a 9 gain at 319p on turnover of 16m. At their best yesterday, BP shares touched 321p.

Oil sector specialists said the appointments proved exceptionally popular with the big US funds who knew Mr Horton from his time at Standard Oil. US buying overnight totalled some 6.5m BP shares, dealers said.

Also behind the exceptional strength in BP were the recent spate of market stories that a major rationalisation of BP's exploration and production interests is scheduled for Friday next week. Analysts expect the announcement of substantial redundancies and news of the sale of up to £1bn worth of the company's smaller and more diverse North Sea assets. "The short-term upside potential in BP is considerable with 335p regarded as easily achievable," said one oil sector analyst.

Buying of BP traded options reached very large proportions yesterday, with 11,700 contracts traded, equivalent to 11.7m shares, with particular interest seen in the October 300 series.

Trafalgar rise

Trafalgar House moved smartly ahead in good volume at the opening in the wake of a bullish note from James Capel. The agency broker upgraded its profits forecast following a positive meeting with Trafalgar's finance director on Thursday. It raised its forecast for next year's profits from £275m to £310m and changed its advice to clients from "hold" to "buy". Capel particularly highlighted the promise in Trafalgar's construction engineering side, as well as the commercial property operation.

The note also suggested that clients consider switching out of Hanson to buy Trafalgar. Dealers, already unnerved by an overnight purchase of a block of 5m Hanson shares, probably by a New York house, took the opportunity to mark down the price.

While Trafalgar eventually subsided from the day's peak of 407p, to close a net 3 better at 395p, Hanson wallowed, depressed by the overhang, in what one trader described as "a miserable market." The shares ended 3½ down at 230p.

A story swept through the market that DDI, a potential treatment for Aids, was being made available to Aids patients. It knocked back Wellcome, which makes the only drug approved for use with sufferers of the disease. The shares slumped to 689p before analysts leapt in to point out that the move had been expected. Bristol-Myers of the US, which makes DDI, applied for permission to distribute the drug on a no profit basis — so-called treatment IND — on August 15. A decision must be made less than 30 days after that and approval, analysts say, is likely. Most analysts say a go-ahead would have no effect on Wellcome.

Trading in SmithKline Beecham was also stimulated by rumours that later turned out to have little foundation. The company was said to have cancelled hotel rooms it had reserved in anticipation of launching its potential big selling heart drug eminase. Fears that the drug had been delayed were assuaged by analysts who said that only the earliest possible approval date would be missed and that the drug should be passed by the end of the year, or by Easter at the latest. SKBeecham ended at 606p down 7 on the day.

British Airways were held back by fears that KKR, the US leveraged buyout specialist, would join the bidding for United Airlines, currently facing an offer from a consortium involving BA. The shares eased a penny to 213p.

Another mooted KKR target, BTR, fell 3 to 473p as dealers spoke of persistent selling from a single securities house.

The jump in BP was said by traders to have signalled a widespread re-rating of the oil sector; "Oils have underperformed badly against the market and now offer good value," said Mr Philip Lambert of the Kleinwort Benson oil team. The Kleinwort team's puts BP and LASMO up as their two major North Sea upstream plays.

Shell is scheduled to announce its interim dividend on Thursday: Kleinwort are going for 7.7p per share, up 7.4 per cent on last time's payment. The shares jumped 7½ to 453½p on turnover of 4.4m that continued to reflect Continental switching out of Royal Dutch and into Shell. British Gas added 3½ at 210½p with institutions focusing on the yield.

Enterprise rose 5 to 609p, helped by the good interim dividend announced on Thursday and the recent out of court settlement with British Gas and Amerada Hess regarding the Texas Eastern North Sea assets. Sovereign Oil and Gas mirrored speculation over the destination of the 6.8 per cent stake in Sovereign held by Coalite, recently taken over by Anglo United, and Sovereign shares put on 6 more to 210p.

Laird Group said its £35.2m rights issue had been 95 per cent taken up by shareholders, and the rest placed in the market at a premium. The shares firmed 3 to 259p.

ABB Kent continued to improve on hopes that its water meter business would benefit from the privatisation of the water industry. The shares closed 3 to the good at 145p.

Even before the GEC/Siemens bid for Plessey went unconditional, dealers speculated on which companies might replace Plessey in the FTSE and thus attract buying from index funds. They settled on Siebe, whose shares jumped to 585½p before settling at 581p up a net 21 on the day. Sentiment was helped by a positive annual meeting yesterday. A persistent large seller of GKN continued to depress the shares, down 2 at 458p.

Cookson shares, already groggy from disappointing figures on Thursday, continued to slide. Analysts at County NatWest WoodMac changed their recommendation on Cookson early in the day from buy to a hold. By the time the trading ended, with the shares 11 down at 349p, they were already saying that investors should be prepared to buy again on further weakness.

Further consideration of RHM's sale of its stake in Goodman Fielder Wattie of Australia helped the shares advance 7 to 469p.

Press suggestions that Leisure Investments might sell off its casino interests pushed the shares 4 better to 68p.

WCRS fell after recent strong rises after playing down suggestions that a French minority stakeholder might bid for the whole company. WCRS ended 19 lower at 351p.

Carlton Communications continued to benefit from hopes of early video releases of current cinema blockbusters — its Technicolor subsidiary would duplicate the cassettes — and added 7 at 939p.

Fairline Boats raced 35 better to 635p in the wake of recent presentations to investors.

Friendly Hotels continued to benefit from Thursdays' good interim figures, rising 8 to 305p. Northern Foods fell after brokerage houses had held seminars on the stock. Warburg Securities, for one, trimmed its profits forecast for the current year from £96m to £93m. Sentiment was not helped by an early institutional sales of a block of 2m Northern shares. Hoare Govett, the buyer, said it placed the stock in the market before the close. Northern closed 10 off at 352p on turnover of 4.8m shares.

Further thoughts on Polly Peck's proposed acquisition of Del Monte's tropical fruits division put another 44 on the shares at 413p.

The banks drew heavy buying interest early in the session but this petered out as the day wore on. Abbey National rose strongly to close 3½ up at 153p on turnover of 12m, with the market said to have reflected the big appetite for Abbey shares the previous day when some 29m shares were placed at 143p.

Insurances raced higher in response to suggestions that the composite sector could well be the scene of hectic takeover activity in the next year or so. Commercial Union, where Sun Alliance holds a near 14 per cent stake, put on 9 to 440p and Royal 11 to 478p.

The end of the week saw some profit-taking in Allied-Lyons, which closed 6 down at 565p, as speculative buyers backed off in the absence of the much-touted move against Allied from Hoylake, which is still engrossed with its bid for BAT Industries. Grand Metropolitan at 634p were likewise a few pence easier.

A buoyant building sector included numerous firm features. Wimpey rose 9 to 282p after a buy recommendation from one of the leading agency brokers. Baggeridge Brick attracted an unusually high level of interest which boosted the shares 15 to 181p.

Features in the electronics area included Cable & Wireless which raced up 13 more to 611p in front of the series of US roadshows designed to boost interest ahead of the ADS (American Depository Shares) listing.

Ferranti were extremely active, 9.4m shares changing hands with the share price closing a fraction off at 73¼p; analysts are putting the company forward as a second force to GEC in the defence electronics market.

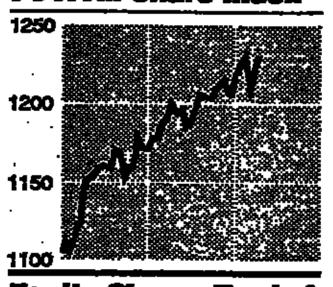
Hoskyns, the software group where Plessey has a controlling stake, jumped 22 to 570p after the success of the GEC/Seimens bid.

Other software groups also came in for strong support. Sema jumped 21 to 400p, after 403p; Sema is due to announce interim figures on Wednesday with Flemings expecting the group to achieve pre-tax profits of £7.5m. French group Cap Gemini Sogetti has a 21.8 per cent stake in Sema.

Unitech moved up 9 tp 373p after suggestions in the market that Swiss arbitrageur Doctor Tito Tettamanti, who speaks for some 11.7 per cent of Unitech shares, may be about to launch a 450p a share bid for the group, possibly in an attempt to draw out a counter from Elektrowatt, the Swiss company that has a 29.9 per cent holding in Unitech.

■ Other market statistics, including the FT-Actuaries Share Index, Page 9

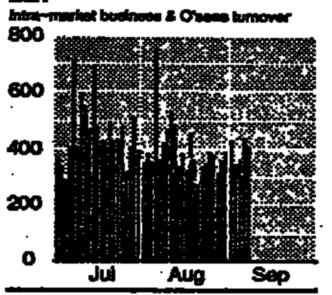
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excl: Intra-market business & O'seas turnover



NEW HIGHS AND LOWS FOR 1989

[illegible]

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	9	87	9	118	351	56
Corps. Dom. & Foreign Bonds	0	11	32	11	42	162
Industrials	400	334	839	2,141	1,665	4,035
Financial and Props	222	89	358	1,054	583	1,736
Oils	31	19	41	137	97	217
Plantations	3	1	7	11	4	40
Mines	34	43	97	297	155	418
Others	46	119	120	361	344	707
Totals	745	703	1,503	4,116	3,261	7,371

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday 7 September

Agencies	+ 55.53	Transport	+ 30.39
Health & Household Products	+ 51.67	Food Manufacturing	+ 29.97
Food Retailing	+ 49.35	Oil & Gas	+ 29.64
Other Industrial Materials	+ 41.77	Capital Goods	+ 28.70
Brewers and Distillers	+ 41.49	Electronics	+ 26.32
Motors	+ 39.61	Gold Mines Index	+ 25.88
Conglomerates	+ 38.65	Banks	+ 25.82
Investment Trusts	+ 38.90	Textiles	+ 25.23
Consumer Group	+ 37.48	Merchant Banks	+ 24.36
Leisure	+ 36.47	Building Materials	+ 24.04
Other Groups	+ 35.50	Insurance(Composite)	+ 23.04
Mechanical Engineering	+ 34.73	Financial Group	+ 21.54
Industrial Group	+ 34.52	Overseas Traders	+ 18.01
500 Share Index	+ 33.84	Publishing & Printing	+ 17.96
Mining Finance	+ 33.23	Telephone Networks	+ 16.87
Insurance(Life)	+ 32.35	Metals & Metal Forming	+ 15.96
All Share Index	+ 31.86	Packaging & Paper	+ 15.90
Stores	+ 31.10	Property	+ 15.04
Chemicals	+ 30.92	Insurance(Brokers)	+ 7.50
Electricals	+ 30.87	Contracting,Construction	+ 6.30

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-05	-2/32	11.06	10.95	10.69
		9.750	1/98	96-24	-9/32	10.34	10.22	10.03
		9.000	10/08	96-14	-13/32	9.41	9.30	9.15
US TREASURY *		9.125	5/99	105-31	-4/32	8.22	8.29	8.03
		8.875	2/19	108-05	+2/32	8.14	8.21	8.10
JAPAN	No 111	4.600	6/98	95.6917	-0.141	5.32	5.11	5.07
	No 2	5.700	3/07	104.7777	-0.194	5.16	5.05	4.98
GERMANY		7.000	2/99	100.8500	-0.050	6.86	6.87	6.65
FRANCE	BTAN	8.000	1/94	97.4090	+0.039	8.72	8.70	8.53
	OAT	8.125	5/99	97.8300	-0.060	8.45	8.39	8.32
CANADA *		10.250	12/98	104.2000	-0.300	9.55	9.63	9.30
NETHERLANDS		7.000	3/99	98.9200	+0.030	7.16	7.17	6.97
AUSTRALIA		12.000	7/99	94.3340	-0.262	13.03	12.93	12.92

London closing, *denotes New York morning session

Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Zinc leads general fall in metals

ZINC LED a general decline in prices on the London Metal Exchange this week as the market continued to react to the ending last week of the Peruvian miners' strike. That factor also had a direct impact on copper and lead prices as Peru is an important supplier of all three metals.

Sentiment on the zinc market was also affected by news of a 6,675-tonne rise in LME warehouse stocks last week to 58,275 tonnes, the highest level for five years, and expectations that a further increase will be announced on Monday. Copper stocks were up 2,250 tonnes last week to 82,875 tonnes.

Traders were reported to be liquidating hedging positions taken out in the zinc market as a defence against the possibility of a protracted Peruvian strike (Peru normally provides more than 11 per cent of the non-communist world's zinc). In the event the stoppage commanded less-than-total support and was abandoned after only two and a half weeks.

That was obviously bearish for the copper market too (Peru accounts for about 5 per cent of non-communist world supplies), but the continuation of other supply disruptions meant that the price response was less precipitate. The LME cash price for high grade zinc fell $360 a tonne on the week to $1,595 a tonne, while the cash copper price was down only £65.50 a tonne at £1,869 a tonne.

The main supply factors still underpinning copper were the continued closure of Papua New Guinea's 180,000-tonnes-a-year Bougainville mine, the 9-week-old strike at Canada's 170,000-tonnes-a-year Highland Valley operation in British Columbia and the controversial bankruptcy declaration at the Cananea mine in Mexico, which was producing about 160,000 tonnes a year. Workers at the Salvador mine, owned by Codelco, the Chilean state mining group, were yesterday expected to vote to accept a company pay offer, ending a week-long stoppage.

The Bougainville mine, which closed in the middle of May because of sabotage by separatist rebels led by disaffected landowners, reopened after repairs this week. But it was forced to close again after only nine hours because a workers' bus had been fired on. Later the rebels blew up a pylon carrying power lines to the mine, making a quick resumption impossible.

Lead prices went into reverse after reaching fresh 8-year highs on Monday, although the fundamental supply/demand situation is expected to remain tight. The cash price on the LME dipped to £450 a tonne on Wednesday before ending the week £19 down on balance at £454.50 a tonne.

In absolute terms the biggest fall of the week was nickel's — $1,075 to $11,335 a tonne — which traders attributed to chart-inspired merchant selling. The three months price held above the psychologically important $5 a lb level, but only by eight tenths of a cent.

Cocoa prices slid back again reflecting the lack of any positive hopes for the revival of the International Cocoa Agreement's price support mechanisms after next week's London meeting. At a meeting this week members of the Cocoa Producers' Alliance have thrashed out a joint proposal to put to consumers at next week's session, but they have revealed no details. On the London futures market the December position ended £37 down on the week at £808 a tonne.

In contrast, coffee's cause was helped by vague optimism about the outcome of an International Coffee Orагnisation meeting scheduled for the end of this month and London's second position futures price moved above £800 a tonne for the first time since June 21. With added impetus being provided by currency and chart factors the November price ended the week £27 higher at £822 a tonne.

Sugar futures prices — both raws and whites — were little changed this week but technical factors led to a sharp fall in the spot market price for whites. While the London daily raws price gained a modest $2 on the week the whites equivalent plunged $58 to $428 a tonne.

That was largely due to the approach of the mid-month period when the LDP quotation will switch from mid-September/October delivery to October/mid-November. The switch will bring more new crop sugar into the calculation and effectively ease the squeeze which had been driving up the whites price.

The sugar trade was disappointed that India did not hold its expected retender for 200,000 tonnes of whites (after two abortive tenders in recent weeks) but were cheered by news from New Delhi that the Government had decided to purchase 500,000 tonnes to ease a domestic shortage this year.

Richard Mooney

APPOINTMENTS

Changes at C.E. Heath Group

■ C.E. HEATH (INSURANCE) BROKING, the principal Lloyd's broker within the C.E. Heath Group, has made Mr Tony Money its managing director.

Following the recent restructuring of the group's reinsurance broking operations, the related technical and administrative services have been consolidated in a new company – Heath Fielding Reinsurance Services.

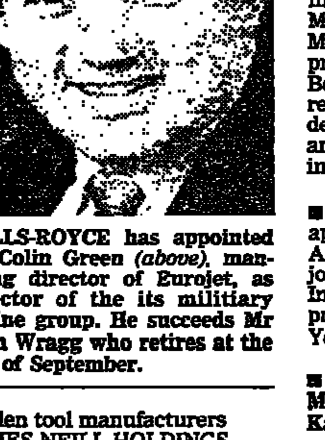
The board of this company is as follows: Mr Money (chairman), Mr T.E. Broadhurst, Mr M.C. Emerson, Mr K.L. Penson, Mr I.H. Roake, Mr R.H. Rofe and Mr R.C.Weston.

■ Mr Simon Kitching has joined the advisory board of DE MORGAN GROUP. He has also been made a director of De Morgan Retail.

■ Lord Charles Cecil has become managing director of BERKELEY GOVETT (UK). He was previously at J. Henry Schroder Wagg & Co, where he was a director, responsible for promoting the Schroder Group's services to major investors particularly in continental Europe.

■ GUARDIAN BUILDING SOCIETY has appointed Mr Christopher Imison as assistant general manager (finance) to oversee accounting and treasury operations.

■ Mr Derek Foord is made acting group finance director of Sheffield-based hand and garden tool manufacturers JAMES NEILL HOLDINGS in succession to Mr Chris Harrison who is leaving the company. Mr Foord was formerly finance director of TSL Group.



ROLLS-ROYCE has appointed Mr Colin Green *(above)*, managing director of Eurojet, as director of the its military engine group. He succeeds Mr John Wragg who retires at the end of September.

■ J.A. SHARWOOD & CO has appointed Mr Martin Morrell as finance director. He was previously special projects controller in RHM grocery division.

■ NORDSEA GAS TECHNOLOGY has appointed Mr James G. Maloney as its managing director. He moves from a senior position with Matthew Hall Mechanical & Engineering, part of the AMEC Group, where he held various posts and had a special interest in heating, ventilating and air conditioning.

■ Mr Andrew Dawson has been appointed to the new position of deputy managing director at GISSINGS. He joined in August as the director in charge of the corporate client portfolio for which he will continue to be responsible.

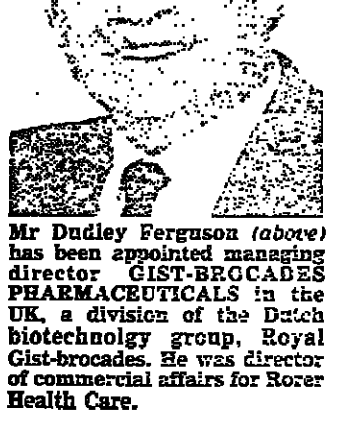
■ Mr Bobby Nicolle has been made a director and chief investment officer of MATHESON INVESTMENT MANAGEMENT. He was previously at Kleinwort Benson where his responsibilities included developing private banking and investment services for individuals.

■ Mr Richard Green has been appointed finance director of ABACO INVESTMENTS. He joins from Svenska International and was previously a partner in Arthur Young, London.

■ At ED & F MAN (SUGAR) Mr Stephen LaBrooy and Ms Katy Rowsell have been made associate directors. Mr LaBrooy was commercial director of SIS '88 in Singapore from October 1987 until the middle of this year and, prior to that, the chief executive of ED & Man Sugar, Sri Lanka. Ms Rowsell was appointed a director of Hottlet Sugar Trading in Belgium in September 1986 and returned to the UK earlier this year.

■ Mr David Bowman has been promoted to finance and personnel director at OXFORD LASERS. Dr Alan Corney has been made deputy chairman with responsibility for planning and business development.

■ DEALING ROOM UNIT MANAGEMENT has appointed Miss Annelise Grimsey as associate director with responsibility for new business. She joins from Bank of Montreal Capital Markets where she specialised in sales and marketing.



Mr Dudley Ferguson *(above)* has been appointed managing director GIST-BROCADES PHARMACEUTICALS in the UK, a division of the Dutch biotechnolgy group, Royal Gist-brocades. He was director of commercial affairs for Rorer Health Care.

■ Mr Mel Cox has been promoted to the position of sales director for SPRAGUE (UK), the capacitor manufacturers. He was previously with RCL and STC Electronic Services.

■ Mr Peter Raymond has been appointed managing director of UMIST VENTURES. For the past six years he has been working in the adhesives and structural materials division of the Dexter Corporation.

■ Mr Tony Bennett has been appointed director of public affairs at UNITED BISCUITS GROUP. He was previously director of public relations, Barclays de Zoete Wedd and head of corporate communications at Polly Peck International.

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Abbey Unit Tst Mngrs (1000)H
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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	57.87	58.48	62.22	-0.07	4.40
Gilts & Fixed Int	6	109.70	109.70	116.30	.....	8.60
High Inc Equity	6	143.10	146.1	155.5	+1.8	4.08
Worldwide Bond	6	204.7	204.7	216.8	-0.3	4.89
Capital Growth						
American Growth	6	206.7	208.7	222.1	+0.2	0.86
Asian Pacific	6	116.2	118.5	126.10	+1.00	1.03
Assets & Earnings	6	169.1	169.1	180.9	+1.50	2.05
Capital Reserve Acc	0	86.93	86.93	87.02	+0.06	4.60
Comdty & Energy	6	117.30	120.8	128.6	+0.9	1.48
1992 Enterprise	6	62.10	63.27	67.31	-0.65	1.90
European Capital	6	96.02	96.72	102.90	+0.50	0.73
General	6	189.90	189.90	203.2	+1.8	2.46
International	6	55.28	56.13	59.72	+0.30	0.84
Japan	6	115.5	117.3	124.8	+0.3	0.00
Mastertrust	6	93.56	93.56	100.1	+0.57	1.70
UK Growth Acc	6	209.8	209.8	224.4	+1.1	1.25
UK Growth Dist	6	140.0	140.0	149.8	+0.8	1.87
US Emerging Cos	6	56.42	56.42	60.35	+0.47	0.00
Income & Growth	6	326.00	332.30	353.6	+3.5	2.90
Ethical	6	51.62	52.90	56.28	+0.26	1.78

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	34.99	34.99	37.36	-0.01	2.80
European	5¼	74.11	74.15	79.16	+0.30	0.00
European Income	5¼	69.31	69.31xd	73.99	+1.53	2.61
Exempt	1	860.7	860.7	895.2	+4.40	1.82
Extra Income	5¼	47.01	47.01xd	50.19	+0.50	4.25
F East Emerg Econs	5¼	59.80	59.90	64.16	+1.00	0.41
Fund Inv Tst	5	137.1	137.1	146.3	+0.90	1.96
Do Accum	5	213.4	213.4	227.9	+1.30	1.97
Gilt & Fixed Int	5¼	21.78	21.84xd	23.32	+0.01	10.42

[illegible]

Buckmaster Mangmt Co Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	171.2	176.6	187.4	+1.1	4.27
(Accum Units)	5	333.8	344.5	365.8	+2.2	4.27
International	5	129.8	129.8	137.3	-0.2	1.77
(Accum Units)	5	178.5	178.5	188.8	-0.2	1.77
Smaller Co's	5	119.6	122.6	130.1	+0.4	1.64
(Accum Units)	5	131.5	134.8	143.0	+0.4	1.64
Int Portfolio	2½	57.41	61.07	62.64	+0.44	3.43
(Accum Units)	2½	59.60	63.39	65.02	+0.46	3.43
High Income Port	3	51.12	51.50	53.37	+0.48	5.94

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sht Dtd Gilt & FI	1¼	54.15	54.15	54.91	+0.02	12.87

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
F & B Sel Intl Gwth	5½	50.51	50.51	54.39	+0.3	1.35

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	60.40	61.39	65.66	+0.35	2.23
Global Tst	5½	47.35	47.87	51.20	+0.04	2.01
Recovery Tst	5½	52.23	52.23	56.13	+0.01	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	119.2	120.8	127.4	+0.5	4.02

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	67.93	67.93	72.26	-0.54	0.63
CS International	5	64.41	64.41	68.52	+0.30	1.45
CS Japan	5	142.3	142.3	151.3	-0.1	0.29
CS Portfolio Inv ♦	5	79.19	79.19xd	84.24	+0.30	1.23

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	154.8	157.4xd	165.6	+0.90	2.79
Do Gen Accum	5	261.3	265.8	279.8	+1.70	2.79
Do Income Dist	5	102.1	104.3	109.8	+0.70	5.13
Do Inc Accum	5	232.4	238.9	251.5	+1.60	5.13
Gilt & Fxd Int	5	36.55	36.64xd	38.56	+0.01	8.32

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5½	41.63	41.63	44.52	+0.41	2.23
Income	5½	51.51	51.51	55.09	+0.39	3.73

[illegible]

Midland Unit Trusts Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	168.6	170.5	182.4	-0.7	0.22
Smaller Cos	6	189.8	189.8	203.0	+0.2	1.53
(Accum Units)	6	211.2	211.2	225.9	+0.2	1.53
Meridian Income	6	115.1	116.1	124.2	+0.7	3.16
(Accum Units)	6	119.3	120.4	128.8	+0.8	3.16
Meridian Growth	6	128.6	129.4	138.4	+0.6	1.80
Midland Personal Pension Unit Trust *						
British	6	64.80	65.53	69.71	+0.45	2.20
European Growth	6	65.49	65.57	69.75	+0.11	0.54
Gilt & Fixed	6	51.22	51.22	54.47	-0.05	9.30
Income	6	59.60	60.46	64.32	+0.45	3.26
Japan Growth	6	57.86	58.20	61.92	+0.21	0.00
Managed	6	59.89	60.70	64.57	+0.22	1.73
Money Market	6	53.99	53.99	57.22	.....	9.85
North American	6	63.80	64.89	69.03	-0.26	0.22
Midland FSAVCS Unit Trust *						
British	6	61.10	61.79	65.73	+0.43	2.21
European Growth	6	63.83	63.89	67.97	+0.11	0.54
Gilt & Fixed Int	6	50.38	50.38	53.57	-0.05	9.16
Income	6	60.57	61.47	65.39	+0.47	3.26
Japan Growth	6	60.10	60.47	64.33	+0.22	0.00
Managed	6	58.96	59.76	63.57	+0.21	1.72
Money Market	6	52.00	52.00	55.12	.....	9.87
North American	6	64.16	65.17	69.33	-0.25	0.22

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Nth American Acc	5	73.29	73.29xd	77.90	-0.59	1.53
Japan Inc	5	123.60	123.60	132.40	-0.50	0.00
Japan Acc	5	123.90	123.90	132.70	-0.50	0.00
UK High Inc Eq Inc	5	76.02	76.01	82.07	+0.75	5.50
UK High Inc Eq Acc	5	86.38	86.38	93.26	+0.86	5.50
Hong Kong Inc	5	44.85	44.85xd	47.85	+0.49	2.82
Hong Kong Acc	5	46.85	46.85xd	49.99	+0.52	2.82
Swiss Equities Inc	5	40.99	40.99	43.91	-0.36	1.07
Swiss Equities Acc	5	41.34	41.34	44.29	-0.36	1.07
W'wide Bond Inc	5	52.49	52.49xd	55.59	-0.07	5.84
W'wide Bond Acc	5	55.18	55.18xd	58.22	-0.08	5.84
Emerging Asia Inc	5	98.31	98.31	105.40	+0.98	0.00
Emerging Asia Acc	5	98.31	98.31	105.40	+0.90	0.00
UK Money Mkt Inc	0	50.15	50.15	50.15	+0.01	12.95
UK Money Mkt Acc	0	50.15	50.15	50.15	+0.01	12.95

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	129.5	130.7	139.0	+1.4	2.48
PM Income & Gth	5	106.4	107.3xd	114.1	+1.4	3.83
PM Nth Amer Gth	5	62.64	62.64	66.63	-0.35	1.13
PM European Gth	5	62.49	62.87	66.86	+0.22	0.66
PM Japan Gth	5	80.17	80.32	85.44	-0.08	0.29
PM Overseas Gth	5	57.35	57.35	61.01	+0.03	0.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
13 Kingsway, London, WC2B 6SB 01-405 8331						
Growth & Equity	5	64.69	67.89	72.16	+1.23	6.98
European	5	79.02	79.94	84.40	+1.18	0.09
Far Eastern	5	62.93	69.15	73.56	+0.52	0.59
Growth Inc	5	89.80	93.42	99.38	+0.1	1.87
Growth Acc	5	89.87	93.49	99.45	-0.04	1.37
Income Inc	5	86.07	88.54	94.21	+0.52	4.51
Income Acc	5	86.38	88.64	94.32	+0.32	4.51
Property Share	5	55.69	55.69	59.36	+0.04	0.99
Smaller Co's	5	59.32	59.32	63.23	-0.2	1.51
Nth American	5	71.04	71.04	75.98	-0.29	1.46
International	5	52.15	52.15	55.77	+0.44	1.94
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	118.68	118.68	124.93	.....	3.75
UK Growth	5	95.00	95.00	100.00	.....	3.00
UK Income	5	95.00	95.00	100.00	.....	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.96	68.25	72.61	+0.24	2.90
YUTM UK Eqy Inc Tst	5¼	61.89	64.06	68.15	+0.38	3.67
YUTM Intl Gwth Tst	5¼	54.98	54.98	58.68	-0.67	0.76

OTHER UK UNIT TRUSTS

	Bid	Offer	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	.....	–
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Aug 31	553.45		.....	4.61
Fxd Int Sec Aug 31	142.85		.....	10.08
Deposit Aug 31	100.00		.....	13.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Sep 6	164.3	168.6	-1.30	12.97
C'inco Acc Sep 6	690.7	708.6	-5.70	12.97
C'share Inc Sep 6	165.9	172.0	+3.50	4.50
C'share Acc Sep 6	183.6	190.5	+4.10	4.50
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Aug 31	327.71		.....	4.60

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	141.7	149.1	-0.1	–
UK Metro	126.6	133.2	+0.8	–
N Am Pn Fd Acc(z)	281.9	296.7	+0.7	–
Pac Basin Fd Acc(z)	206.7	217.5	+2.6	–
Property(z)	608.1	640.0	+0.2	–
Mple Inv Pens Acc(z)	1564.7	1647.0	+7.4	–
Broker Funds				
Prof. Pen Fd	102.2	107.5	+0.3	–
VRA Strategy	127.9	134.5	+0.3	–
VRA Performance	109.8	115.5	+0.3	–
Laughton Dollar (SE)	145.6	153.2	+0.5	–
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	265.7	279.7	.....	–
Equity Acc	921.7	970.3	-3.6	–
Property Acc	511.1	538.0	.....	–
Far East Acc	216.9	228.4	-0.4	–
European Acc	25.2	26.6	.....	–
Managed Acc	719.9	757.8	+2.3	–
Managed Cap	406.7	428.2	+1.3	–
O'seas Earnings Acc	615.5	647.9	+2.8	–
Gilt Edged Acc	318.5	335.3	-0.2	–
American Equity Acc	497.1	523.3	-2.1	–
American Man Acc	229.0	241.1	-1.1	–
American Prop Acc	151.9	159.9	-0.6	–
Pen. F.I. Dep. Cap	293.4	308.9	+0.1	–
Pen. F.I. Dep. Acc	506.9	533.6	+0.2	–
Pen. Prop. Cap	597.9	629.4	.....	–
Pen. Prop. Acc	1143.2	1203.4	+0.1	–
Pen. Man. Cap	890.0	936.9	+6.0	–
Pen. Man. Acc	1700.6	1790.2	+11.6	–
Pen. Gilt Edg. Cap	318.1	334.9	+0.1	–
Pen. Gilt Edg. Acc	496.7	522.9	+0.2	–
Pen. Eq. Cap	1480.5	1558.5	+12.6	–
Pen. Eq. Acc	2142.3	2255.1	+18.2	–
Pen. Am. Eq Cap	168.0	176.9	-0.7	–
Pen. Am. Eq Acc	207.0	217.9	-0.9	–
Pen. Far East Cap	258.8	272.5	+0.5	–
Pen. Far East Acc	317.5	334.3	+0.5	–
Pen. Euro Cap	30.6	32.3	+0.2	–
Pen. Euro. Acc	33.6	35.4	+0.2	–
Pen. B.S. Acc	557.2	586.1	+0.2	–
Pen. B.S. Cap	331.6	349.2	.....	–
Pen. D.A.F. Acc	569.6	599.6	+0.2	–
Pen. D.A.F. Cap	260.3	260.3	+0.1	–

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	132.0	139.0	–3.0	–
Building Soc. Fd	174.0	184.0	.....	–
Balanced	294.0	310.0	.....	–
European	193.0	204.0	+1.0	–
GT Managed	193.0	204.0	+1.0	–
Gartmore Mngd	129.0	136.0	.....	–
German	139.0	147.0	+1.0	–
Gilt	184.0	194.0	.....	–
Global	50.0	53.0	.....	–
High Inc.	121.0	128.0	.....	–
International Equity	206.0	217.0	.....	–
Japan	263.0	277.0	.....	–
Managed	65.0	69.0	+1.0	–
Property	291.0	307.0	.....	–
R W Imperial Gold	156.0	165.0	+3.0	–
UK Equity	368.0	388.0	.....	–
Pension Funds				
American	158.0	167.0	+2.0	–
Building Soc. Fd	176.0	186.0	+1.0	–
Balanced	227.0	239.0	+1.0	–
European	192.0	203.0	+3.0	–
German	122.0	129.0	+3.0	–
Gilt	159.0	168.0	+1.0	–
International Equity	150.0	158.0	+2.0	–
Japan	143.0	151.0	–1.0	–
Managed	68.0	72.0	.....	–
Property	223.0	235.0	.....	–
UK Equity	338.0	356.0	+1.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	99.02	104.69	+0.32	–
Pensions Cash Fund	79.61	83.80	+0.02	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	536.3	670.5	+1.2	–
Adventurous Mngd	138.1	145.6	+0.3	–

[illegible]

OFFSHORE AND OVERSEAS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Rothschild Asset Management—Contd.						
OCCFL Ptas		[illegible]	2086.31		.....	12.89
OCCFL SKr		[illegible]	103.64		.....	10.22
OCCFL SwFr		[illegible]	30.659		.....	6.08
OCCFL U.S.$		$14.42	15.462		.....	7.68
OCCFL Yen		[illegible]	3547.84		.....	4.13
OCCFL Man $	3	[illegible]	10.705	11.036	.....	10.64
Daily Dealings						
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd						

	Bid Price	Offer Price	+ or –	Yield Gross
AEtna Intl Assurance (Bermuda) Ltd				
Exchange rate at Valuation Day US$1.9417				
Commodity ($)	$5.135	6.575	.....	–
Dollar Deposit ($)	$2.390	2.415	.....	–
Eurogrowth ($)	$1.035	1.090	.....	–
European Equity ($)	£300.8	316.7	.....	–
Global Managed ($)	$1.290	1.360	.....	–
Gold ($)	$1.010	1.065	.....	–
Goldmine ($)	$0.510	0.540	.....	–
Internat'l Equity ($)	$11.825	12.450	.....	–
Inter Fixed Int'st ($)	$7.785	8.195	.....	–

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	Exch 11pc 1989	99xd	.....	–	–
99	95	Treas 5pc 1986-89	99xd	+	5.03	10.50
99	98	Exch 10¼pcCv '89	99	+	10.31	12.64
101	99	Treas 13pc 1990‡‡	99	+	13.07	12.86
132	124	Treas 2pc IL '90(84.6)	132	.....	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	+	11.09	12.81
101	99	Exch. 12½pc 1990	99xd	+	12.54	13.22
95	91	Treas. 3pc 1990	95	+	3.13	9.85
97	95	Treas 8¼pc 1987-90‡‡	97	+	8.47	11.84
98	95	Treas. 8pc Cv 1990 ‡‡	96	+	8.26	11.97
98	96	Treas. 10pcCv 1990	97	.....	10.27	12.54
93	87	Exch 2½pc 1990	92	–	2.69	8.71
101	98	Treas 11¾pc 1991	99	–	11.82	12.18
93	89	Funding 5¾pc '87-91‡‡	93xd	–	6.17	10.60
90	86	Treas. 3pc 1991	90	–	3.32	9.40
100	95	Treas 10pc Cv '91 ‡‡	96	–	10.31	11.84
101	97	Exch. 11pc 1991	98	–	11.16	11.76
94	91	Treas. 8pc 1991	92	–	8.61	12.68
106	102	Treas 12¾pc 1992‡‡	102	–	12.39	11.29
99½	95	Treas 10pc 1992	97	–	10.30	11.37
94	91	Treas. 8pc 1992 ‡‡	92xd	–	8.63	11.36
100	96	Treas 10½pc Cv 1992‡‡	98	–	10.69	11.28
85	82	Treas. 3pc 1992	84	–	3.53	9.30
105	101	Exch. 12¼pc '92	102	–	11.96	11.22
109	104	Exch 13½pc 1992	106xd	–	12.74	11.12
94	90	Treas 8¼pc 1993	92	–	8.94	10.99
100	95	Treas 10pc 1993‡‡	97xd	–	10.25	10.85
108	103	Treas 12½pc 1993‡‡	105	–	11.91	10.85
88	84	Funding 6pc 1993‡‡	86	–	6.89	9.97
113	108	Treas 13¾pc 1993‡‡	109	–	12.53	10.74

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	99	N'wide Anglia 12½pc 18.9.89	99	.....	12.38	13.74
99	99	Do. 12pc 2.10 89	99	.....	12.35	13.23
99	98	Do. 11pc 6 11 89	99	.....	11.88	14.13
100	98	Do. 12pc 4.12 89	99	.....	12.39	13.94
100	99	Do. 12pc 2 1.90	99	.....	12.88	13.95
100	98	Do. 12pc 29.1 90	99	.....	12.65	13.90
100	98¾	Do. 12pc 26.2 90	99	.....	12.77	13.95
100	98	Do 12pc 19 3.90	99	.....	12.93	13.90
100	99	Do. 13pc 23.4.90	99	.....	13.43	13.83
100	99	Do. 13pc 14.5.90	99	.....	13.08	13.77
100	98	Do. 13pc 4/6/90	99	.....	13.71	13.74
100	100	Do. 14pc 2.7 90	100	.....	14.25	13.62
100	99	Do. 13pc 23.7.90	99	.....	13.63	13.61
107	98½	Do. 3⅞pcIL Ln 2021	104½xd	+2	4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	3	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011.	132	–	15.00	10.99

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

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AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535/4(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- || No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	96	......
Craig & Rose £1.. y	838	......
Finlay Pkg. 5p.... y	88	......
Holt (Jos) 25p..... y	1358	+10

IRISH

Cap. 8½% Ln. 1991....	£97½	......
9pc Cap Ln. 1996..	£100	+¼
Fin. 13% 97/02....	£119	......
Arnotts..................	422	+2
Carrol (P J)...... y	155	......
Hall (R. & H.).......	170	......
Heiton Hldgs....... y	92xd	......
Irish Ropes..........	212	......
United Drug..........	145	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	39
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
SmithKline Bchm. A	58
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	30
RTZ	40

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FINANCIAL TIMES
Weekend September 9/September 10 1989

Ashley Ashwood
Lord Weinstock arriving at a London meeting yesterday

Plessey concedes defeat to GEC-Siemens

By Terry Dodsworth and Hugo Dixon

SIR John Clark finally conceded defeat yesterday in the battle to maintain the independence of Plessey, the family-run electronics company which he has headed for the past 20 years.

He advised shareholders to accept the £2bn offer masterminded by his long-time rival Lord Weinstock, managing director of the General Electric Company. This followed an announcement by GEC and Siemens, its West German partner, that they controlled 62 per cent of Plessey and that the 270p-a-share bid had gone unconditional.

Lord Weinstock, yesterday, promised "other ventures" in the wake of the Plessey takeover. He said that the victory, which follows a dogged four-year campaign, would enable GEC to tackle European markets more effectively.

The takeover reinforces Siemens' position as the world's third largest telecommunications manufacturer, and gives it an important foothold in the UK defence electronics market. It is expected to lead to a wave of similar cross-border alliances throughout Europe.

Siemens is paying about £1.25bn for its share of Plessey, which has a turnover of £1.7bn and a workforce of 26,000. GEC will pay the remaining £750m.

Lord Weinstock originally bid for Plessey in 1985, only to be blocked by the Monopolies and Mergers Commission. He relaunched his attack in November and in the subsequent 10 months the City has witnessed a bewildering array of offensive and defensive moves which have made takeover history.

After exercising share options and receiving payment for his service contracts, Sir John is expected to net £2.7m. Mr Stephen Walls, the managing director, who joined the company only two years ago, should receive £1m.

Mr Walls will meet senior GEC and Siemens executives early next week to achieve an orderly transfer of control.

The agreement with Siemens has three main points:

- Siemens will take a 40 per cent stake in GPT, the telecommunications group now owned jointly by GEC and Plessey.
- Plessey's defence businesses will be split, with GEC taking the avionics and anti-submarine warfare activities and Siemens the radar and communications operations.
- The rest of Plessey, including its semiconductor business, will be owned jointly by GEC and Siemens.

From Monday, Plessey will be replaced in the FT Ordinary Share Index by British Airways and in the FTSE-100 by Siebe.

An old order changes, Page 7; London Stock Exchange, Pages 14 and 15

Poland heads to new free economy

By Christopher Bobinski in Warsaw

POLAND'S new economic leadership is determined to steer the country back to a western-style free market economy once it has brought inflation under control by imposing strict if painful restrictions on money supply.

Mr Leszek Balcerowicz, an academic, who is to be the Deputy Premier responsible for the economy and Finance Minister, yesterday told a parliamentary committee: "We have an unrepeatable chance of implementing not only political but also economic change in the direction of a western style free market economy."

The Government, which is headed by Mr Tadeusz Mazowiecki, has Solidarity holding 10 portfolios and the communists four, of which one, the Foreign Trade Ministry, has yet to be filled.

Mr Balcerowicz told deputies that once inflation had been brought under control a move would be made to privatise the dominant state sector.

He said deflationary policies were imperative, but that it remained to be decided whether the clamp on the money supply should be imposed immediately or left while the government sought relief on servicing its $39bn (£25.1m) debt to the West.

Both Mr Balcerowicz and Mr Tadeusz Syryjczyk, who is to be Industry Minister in the Solidarity-led coalition Government, recognise that the results would be painful.

Industrial plants would have to close and unemployment continue, and it was admitted there would be "a fall in the standard of living in the initial stages."

Discontent was growing in any case, Mr Balcerowicz said, and inflation had to be brought under control if the economy was to have a chance of development. There would be no controls on prices, however, he said.

Once the deflationary policies had begun to bite and Poland regained access to Western credit, Mr Balcerowicz said, the stability of Poland's currency would be brought in.

Yesterday, General Czeslaw Kiszczak, a Communist Party member who is to retain the post of Interior Minister which he has held since 1981, appeared in the new parliament and pledged his loyalty *to Mr Mazowiecki*.

He said that a number of departments in his ministry were to be disbanded including the one which dealt with the church, and, now that it was the opposition, that the government telephone tapping, the opening of letters and general surveillance were to be reduced.

He did say though that industrial espionage operations abroad were profitable and would be maintained.

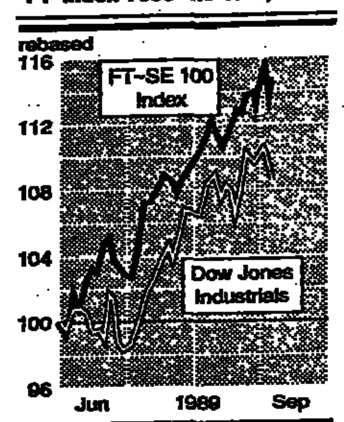
THE LEX COLUMN

The equity market thinks twice

The great bull market of 1989 is getting a bit tired. Wall Street has had one of its weakest weeks this year and London is struggling in vain to reach its pre-crash peak. Even though the FT-SE ended the week 17 points higher, each upwards push is proving increasingly hard to sustain. The big bid needed to justify such heights has yet to come; but then neither has there been any trace of that dark shadow over corporate profits. At this point in the cycle, one would have expected at least a few grave earnings disappointments, but with at least half of the big results out of the way, the balance of news is still marginally positive. This week's only big disappointments were Turner and Newall and FKI, and the economy can scarcely be blamed for either of their problems.

Even though pockets of optimism remain – the 30 per cent rise in Polly Peck shares must reflect confidence of some sort – the market as a whole is getting alarmingly volatile. Wednesday's 25 point fall in the space of 15 minutes shows how edgy everyone has become; the fact that most of the damage was recovered the following day is not in itself encouraging. For the moment, most of the doubts stem from Wall Street which has lost its way altogether; but next week's *second helping of corporate earnings* and statistics on spending, wages and inflation may provide room for doubt for purely domestic reasons.

FT Index rose 4.6 to 2,003.7



Even if it were not for MBB, Daimler's share price might seem too high. With earnings likely to decline for the next two years until the new models come through, it is hard to see why the shares should be on a prospective multiple of 17 times. Anyone who wants an exposure to Airbus should buy BAe, and those wanting German cars would do better with BMW, both of which can be had on half the rating. Of course, none of this means that Daimler's shares will not continue to rise. The company has to get away a big rights issue next week and Monday's earnings are therefore likely to be pleasing. The shares are 90 per *cent owned in Germany and* investors there appear long-sighted enough not only to see the new Daimler models in 1991, but in the still more distant future can apparently see the MBB promise.

cies, reaching nearly £3.5bn in 1988. Consumers saw ever-appreciating bricks-and-mortar as the optimal investment; hard-selling institutions ensured this meant a boom in with-profits life assurance. Falling house prices and rising mortgage arrears break the pattern for good, releasing pent-up cash into pure savings vehicles, not housing.

The October 1987 crash scuppered the chances that equities would be the preferred medium; the 1988 Budget undermined the attractions of capital gains-based investments. The winners, according to PA, will be institutions which devise new generations of simple, mass-marketed yield-based savings products; and it will only be the largest which can afford to.

Daimler/MBB

When a Government gives its blessing to an anti-competitive merger against the advice of the monopolies authorities, one can usually assume that shareholders can rejoice. That is not the case in the takeover of MBB by Daimler-Benz. Even though the conditions imposed on the deal are a painless political sop which impose almost no hurt on Daimler, it is far from clear whether the merger itself is in shareholders' interests. So far, the market has taken a strangely positive line and its initial response yesterday was to mark the shares up, as if unaware that it may be several years before MBB shows a profit. Moreover, it is far from clear whether Daimler, which has proved itself a master at quietly producing cars in Germany, will be equally good at managing a risky international operation, where the outlook for orders – at least in the area of defence – gives cause for concern.

Housing market

Given the paralysis in much of the UK's housing market, it may be dotty to say the whole thing is a god-send to the largest savings institutions. After all, if events vindicate Thursday's warning from housebuilder Wilson Bowden that this is the softest housing market for 25 years, they are exposed as mortgage lenders, suppliers of insurance, and estate agency operators.

The notion that it is all for the best for some institutions comes in a PA Consulting Group study. Since its author prophesied life assurance mergers such as Lloyds/Abbey Life, FS/Britannia and last Wednesday's deal between Swiss Life and Pioneer Mutual, the idea may not be as foolish as it sounds. The savings market's most striking phenomenon has been exponential growth in new mortgage lending linked to endowment poli-

BA/UAL

British Airways can feel reasonably satisfied with the stock market's reception to its involvement in the $300 a share bid for UAL, the second biggest US airline. In spite of the high price being offered and the negative impact on an already heavily geared balance sheet, BA's shares ended the week higher; the fact that UAL's shares have not jumped above the offer price means that BA and its partners may not have to get involved in a *dangerous bidding auction* after all.

The commercial logic of the BA/UAL deal is understandable, even though the short-term financial appeal is far less compelling. US airlines have a habit of losing huge amounts of money in a recession and the belief that the recent widespread consolidation in the industry means that this will no longer hold true is a hostage to fortune. The difference between flying 60 per cent empty rather than 60 per cent full still has horrendous implications for cash flow in a highly operationally geared industry like airlines.

However, an even more worrying side-effect of the BA/UAL offer is that it highlights in an extreme way the concentration now under way in the global industry. The shortage of airport capacity on both sides of the Atlantic means that entrenched airlines like BA and UAL are far better placed to defeat competition while they dominate flights into key airports like Heathrow and Chicago. This is why this link deserves extra-special scrutiny in Brussels, if not in London or Washington.

Green light for MBB takeover by Daimler

By David Marsh in Bonn

THE WEST GERMAN Government yesterday finally approved the takeover of Messerschmitt-Bölkow-Blohm, the aerospace company, by Daimler-Benz, the motor group, to form one of the world's leading aircraft and defence groups.

Formation of the conglomerate with an expected turnover of DM80bn (£26bn) is certain to have wide repercussions on world aerospace markets. In France, where indigenous armaments groups will be dwarfed by Daimler, the move could rally support for similar restructuring.

Mr Helmut Haussmann, the West German Economics Minister, said yesterday he was turning down, on the grounds of overriding economic interest, the April veto on the merger by the Federal Cartel Office. During three decades of West German anti-trust legislation, this represents easily the most important occasion when the Cartel Office has been overruled in this way.

Mr Haussmann said the step after over a year of controversy, was "the most important competition decision of the post-war period."

But it drew heated criticism from the opposition Social Democratic party, which said yesterday the decision was a "scandal" marking a "black day" for economic policy.

Mr Haussmann announced a series of conditions for allowing the deal. These are designed to ease some of the serious concern over concentration in the German arms sector voiced both by the Cartel Office and the Advisory Monopolies Commission, the chairman of which resigned last month over the issue.

The West German Government believes that bringing in Daimler to run MBB, at present owned by the public sector, will improve the country's performance in the European Airbus venture, in which MBB has a 37.9 per cent stake.

Among the conditions, Daimler and MBB will both have to hive off naval activities within two years – including torpedoes and minehunters – while MBB will have to give up manufacture of drones (small pilotless aircraft). This adds up to divestment in 1990 of companies with turnover of about DM1bn.

MBB will also have to sell within a year its 12.5 per cent stake in Krauss-Maffei, the maker of West Germany's Leopard tanks.

Two domestic arms groups – Diehl, which already owns 12.5 per cent of the tank manufacturer, and Rheinmetall – said yesterday they were interested in buying the Krauss-Maffei share.

Additionally, Daimler and MBB will have to sell four military procurement planning and service companies. Daimler has to agree that its representatives should not sit on the boards of other German arms companies.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				PARIS (FFr)			
Rises				**Rises**			
Allianz	2262	+	49	Grp Victoire	2180	+	470.4
Cont Gummi	330	+	11.9	BP France	144.9	+	6.1
Henkel	583	+	12	Drouot Ass	608	+	25
Lufthansa	220	+	10	**Falls**			
Schering	818.5	+	24.5	Thomson	191	–	8.1
Falls				Fichet Bauche	1245	–	43.4
Bayer Vereins	393	–	3	Skis Rose	1210	–	40.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Exxon	43¾	+	¼	Taihei Paper	1250	+	140
Intl Paper	54¾	+	½	Tofuku Flour	1500	+	170
Falls				Tokyo Toyota	1750	+	200
Alum Co Amer	74⅜	–	⅞	**Falls**			
Coca-Cola	63½	–	1¼	Mos Food Servs	7940	–	660
Recognit'n Equ	6⅛	–	1½	Seibu Railway	6500	–	700
UAL	279¾	–	2¼	Toyo Telecomm	1500	–	160

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Sema Grp.	400	+	21
AMEC	460	+	15	Shell	453½	+	7½
Avesco	164	+	10	Siebe	581	+	21
BP	319	+	9½	Unitech	373	+	8
Bag'ridge Brick	181	+	15	Warburg (S.&G.)	449	+	5
Comm. Union	440	+	9	**Falls**			
Hoskyns Grp.	570	+	22	Cookson	349	–	11
Polly Peck	413	+	44	WCRS Grp.	351	–	19
RHM	469	+	7	Wellcome	705	–	13
Royal Ins.	478	+	11				

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
[illegible]															

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Spicer

Continued from Page 1

Assuming all the mergers between the Big Eight go through, the new firm would end up being the world's sixth largest – although it would still be a lot smaller than Coopers & Lybrand, the fifth largest, with fees of $2.5bn.

The move is surprising in that these firms – along with other medium-sized ones – had tended to condemn this summer's wave of mergers between the Big Eight.

This has seen Ernst & Whinney come together with Arthur Young to form Ernst & Young, whilst two other pairs of firms – Price Waterhouse and Arthur Andersen and Deloitte Haskins & Sells and Touche Ross – are still hammering out the terms of their respective alliances.

S&O and H&H are likely to argue, however, that they are compatible in terms of the type of customers they serve, and the niche industries in which they operate.

Both target their business towards the medium-sized business client – small public companies and family-owned businesses, rather than the multinationals favoured by the Big Eight.

The firms have very different business specialisations. H&H – the UK arm of which is Stoy Hayward – has strengths in the property market, leisure and travel and healthcare. S&O is strong in the financial services industry, especially on Wall Street, in the US, and in the City of London.

Neither of the two firms' UK arms would comment on the status of the talks, but Mr George Bernstein, H&H's US-based chief executive, went "on the record" to stress just how tentative the talks were at this stage.

He said that over the last weeks there had been preliminary talks at a very senior level on both sides of the Atlantic.

On Thursday night, Spicer's London office denied that any talks were taking place, suggesting that few but the most senior partners knew what was taking place.

S&O, much smaller than H&H, has recently run into financial difficulties in the US, with partners facing a $1.5m cash call earlier this year, following a lay-off of 10 per cent of US staff in April. By contrast, the H&H firm in the US, Laventhol & Horwath, is the sixth largest firm with revenues of $350m last year. S&O's US revenues last year were $70m.

Bank

Continued from Page 1

holding.

Bankers were meanwhile concerned yesterday that BNL's overall Iraqi exposure could rise beyond its present $1.7bn, of which some $720m of loans are guaranteed by the US Commodity Credit Corporation (CCC) in Washington.

Neither banking authorities nor BNL, which is still investigating the extent of the bank's exposure, have been able to ascertain yet whether the bank will be bound to honour an additional $920m of Atlanta-generated export credits

If BNL is obliged to honour these commitments its total exposure will rise to $2.6bn, of which $1.9bn would have merely been the counter-guarantees of the Iraqi central bank

Company scrutiny

Continued from Page 1

would enable developing countries to produce ballistic missiles with warheads of 500kg or more.

However, France, Italy and West Germany have been accused in the past of applying the restrictions loosely. The US, Britain, Canada and Japan are also party to the agreement.

Under the UK guidelines, exports to certain "proscribed" countries are automatically vetted. These countries, covering the Warsaw Pact and several others, do not include Iraq.

However, current policy prohibits sales to Iraq or Iran of lethal weapons or equipment that could significantly improve either country's military capability. Similar provisions are in force for Argentina.

It is up to the Department of Trade and Industry to decide whether to consult the Foreign Office and the Ministry of Defence on export licence applications to these countries for equipment which might be considered as "dual-use."

An exporter must declare what an export licence is destined for, but may not be blamed if the item is diverted to other uses.

Officials said that companies usually saw it as being in their interest to comply honestly with the system.

"But if you really want to break the export control rules, your chances of getting away with it are pretty high," one official admitted.

The Government has shown concern about the involvement of Technology Development Group (TDG), an Iraqi-owned company which has a small shareholding in Matrix-Churchill and has several board members in common with the Coventry concern, in the purchase of a former Lear Fan plant near Belfast.

The plant was bought in May by Canira, in which TDG has 50 per cent, but a Northern Ireland Industrial Development Board grant was refused on Foreign Office advice.

Officials said the decision was based on fears that composite materials from the plant could be used in missile development.

Weekend FT

SECTION II

Weekend September 9/September 10, 1989

THE FACELESS ONES

Who are Europe's bureaucrats and what do they do?

David Buchan reports

ARE THEY Sisyphean visionaries, toiling always to push the Community boulder up the hill of European unity? Or financially and intellectually corrupt meddlers, as Sir John Hoskyns, director general of the Institute of Directors, would have us believe? Or simply the common denominator of the Community's 12 national civil services?

One thing is certain: Eurocrats – the 10,000 people who make up the European Commission – form a international civil service unlike any other. For a start, they have the power of proposal and, in areas such as competition policy, of autonomous decision. The Treaty of Rome gave them this precisely to prevent any one member state grabbing the initiative for its own national ambition. The clear contrast with other international organisations can be made within Brussels itself – if those working just up the road for Nato's international secretariat were to try to lead, rather than follow, member governments of the Western alliance, they would lose their jobs in double quick time.

Equally patently, Eurocrats are becoming steadily more important. As the Community's executive arm and guardian of the EC treaties, it falls to them to propose the ever-widening range of EC legislation, and then to see to its implementation and enforcement. As trade negotiators for the 12 member states, they treat with the 145 countries with whom the Community has diplomatic relations, and bargain for Europe in such fora as GATT (General Agreement on Tariffs and Trade).

A third certainty is that the European in the street has only the foggiest idea who the Eurocrats are and what they do. True, the 17 Commissioners who form the Commission's management board have a certain political profile; some of them are, or were, prominent politicians back home before coming to Brussels. But Jacques Delors, Commission president, and his 16 Commission colleagues are in the end only as good as the 10,000 bureaucrats who serve them.

These are the faceless ones – and it is on them that this article focuses. Such popular reaction as they do attract in the member states (not just in the UK) might be summed up as "overpaid, overpushy and over there." Even with the momentum of "1992" pushing their morale to an all-time high, Commission officials remain defensive about their external image. They are quick to put up a barrage of statistics to prove that, as a bureaucracy, they are neither huge nor idle.

The Commission, shorn of its swollen translation and interpretation arm, totals 10,400, smaller than the UK's Department of Trade and Industry (12,200) and less than half the UK Customs and Excise (25,100). It handles more than 1,000 complaints a year that EC law is being broken. It has to hold more than 50 meetings a week with experts from national capitals, and despatch more than 650 missions a week to member states. While Washington has some 550 officials to handle around 60 new anti-dumping cases a year, Brussels has only 96 officials – 40 of them on detachment from member states – to handle nearly as many new cases a year. And so on.

Vague accusations of venality are not so susceptible to statistical defence, precisely because they are vague, except in one area. This concerns the recent allegation that some Eurocrats have fraudulently got themselves invalided out of the service to take advantage of higher-rate invalidity pensions. Richard Hay, the ascetic ex-UK Treasury official who looks as though he should be running a monastic order rather than being the Commission's director general for personnel, dismisses this with one macabre statistic. This is that, on average, those on EC invalidity pensions die on average eight years earlier than those on regular Commission retirement pay.

Work pay is handsome. Those at the top of the administrative grade – known as A1s – draw basic pay of between £60,000 and £76,000, more than top civil servants in member states. But it is far from being so out of whack as to attract national civil servants in their droves; Britons, Danes, Germans, Dutch are hardly beating down the Commission door for admission. For one thing, there is a rising Community scale of income tax, which at the top rate of 45 per cent exceeds that of Britain nowadays. There are perks. Belgian police do not generally tow Eurocrats' cars with their special blue on white EUR license plates; officials can buy a limited number of items VAT-free. But expense accounts are available only to Commissioners (and abused by a few of them on an heroic scale), and not to ordinary officials.

Certainly, *la vie Bruxelloise* is far from uncomfortable, if you are well off as Eurocrats are – good food, good schools and good roads to other places. But, however long they stay in Brussels, most Eurocrats nurture their national roots. There is perhaps one exception – those Germans, now at least in their late 50s, who came to Brussels at the start of the Community, seeking very consciously in "Europe" an alternative to their own country's unhappy history. The Commission may be getting into biotechnology, but has yet to cross-breed Homo Europeaicus out of 12 nationalities. Most Eurocrats tend, after work hours, to divide into the national cliques where they feel, culturally and linguistically, most comfortable.

Interest in the work, rather than love or money, seems to be the main draw. What with with 1992 and all that, there is a lot of work about. Clearly, parts of the Commission are over-stretched. It shows in the hollow-eyes of officials who serve the workaholic Delors or, some critics would say, in the skimpiness of anti-dumping case preparation. Part of the problem is of the Commission's own making – the difficulty it has had in switching people from defunct tasks, such as administering the steel quota system which ended last year to new ones like environment, transport, structural aid funds and dealing with Eastern Europe. So far, according to Hay, it has only been able to move around 2.5 per cent of its staff a year (far less tha a company or national civil service). This year it is asking for 100 new posts, in contrast to the 435 it requested and got last year, on the assumption that it can push this redeployment rate up to 7.5 per cent.

Member states doubt the Commission's sincerity in arguing for minimum EC involvement, when at the same time this year it is proposing a European environment agency, and follows that with talk about similar bodies dealing with consumer protection and with food and drugs. Yet, some tasks are positively thrust on the Commission, claims Hay. "Veterinary inspection is a typical area which member states want the Commission to get into, because they don't trust each other," he says.

The relative smallness of the Commission has, says Hay, an effect which makes it quite distinctive from national civil services. It means that, whatever the treaty may say about the Commission's monopoly power of proposal, "the only way we can manage and develop policy is to receive ideas from outside – hence the constant stream of meetings to draw on external expertise."

A second difference, of course, stems from the fact that the Commission is an executive that is not part of a government. Unlike their counterpart in the member states who work for national administrations which call the legislative shots, Commission officials, at all levels, need to sell their policies. (When proposals hang around for years without getting through the Council of Ministers, as in the 1970s, this can be deeply demoralising).

"So we need to be in contact with people all the time," says Hay. This general openness of the Commission is, naturally, a godsend to journalists, aided considerably by the free availability of the Commission's internal telephone directory. New arrivals from traditionally secretive civil services such as those of France or Britain encounter considerable culture shock at the prevailing glasnost.

The third, and most obvious, difference is in the Commission's multinational composition, which raises problems common to any international organisation. "No posts shall be reserved for nationals of any specific member state," says Article 27 of the staff regulations. In a literal sense, this is true – no specific post belongs to a specific nationality, by contrast to, say, the top Nato military command which is always held by an American.

But the higher up the Commission ladder the stricter the numerical balance between different nationalities, according to size of member state. At the top, the rule is absolute. The five biggest states – West Germany, France, Britain, Italy and Spain get two commissioners each, and the others one each. At the next rung down – A1 level (directors general of the 23 different services, plus a few others including EC ambassadors) the share-out is only slightly less strict. Larger countries generally get six to seven A1s, smaller ones one each. The same sort of balance is attempted at the A2 level, and somewhat at the A3 level.

The frustration this causes to the average career Eurocrat is obvious, and by no means unknown in such national services, such as the US state department with the cream of its ambassadorial posts going to political appointees. In a survey of Commission officials conducted last year by a French consultancy, "the right connections" – meaning, among other things presumably, the "right" nationality – were regarded as more important to promotion than "hard work."

Below the A3 level, there are glaring national imbalances – principally an over-abundance among clerks, messengers and drivers of Belgians (somewhat naturally) and of Italians (often with relatives running restaurants around the Commission's Berlaymont headquarters), but more significantly, a chronic under-representation of Britons.

The problem dates back to British entry in 1973, when Whitehall simply ensured it got its share of A1 and A2 posts, and simply assumed that regular recruitment would put enough Britons into all the lower A and B grades. It hasn't. By sharp contrast, Spain and Portugal put their officials at every level when they joined the EC in 1986. The upshot is that despite Spain having a smaller population, there are 172 Britons and 225 Spaniards in all the B grades.

There seem to be several reasons why British Eurocrats are relatively thin on the ground. The Commission tends to look for specialists, particularly economists and lawyers, rather than the historian, classicist, linguist who often form the generalist administrator, beloved of the British civil service. It also seeks those with some work experience, whereas a British undergraduate often starts looking for a job in his or her last year of study. Thus its exams tend to test more for prior knowledge than potential aptitude. Those Britons who sit the Commission tests do well, but not enough apply in the first place.

Are Britons also put off from joining the Commission by their prime minister's disparagement of the institution? Some in Brussels believe so. Would Mrs Thatcher's views change if Jacques Delors had more John Bulls at his side? Unlikely.

But the Commission services are prone to a variety of political influences. These are indirect pressures, rather than the direct ones which all Eurocrats formally forswear when taking up their jobs. The chain of influence can work like this. The 12 national delegations in Brussels usually maintain close links with their countries' Commissioners, or more often with their cabinets.

Modelled on the French system, these are the half dozen officials – some of them career Eurocrats, other drawn from national services – who make up a Commissioner's private office. The very considerable power of cabinet officials lies in control of access to their commissioner. They are the turnstile through which every official, even an A1 director general, must pass in order to get the boss's ear.

Even with the best will, claim many chefs de cabinet, it is impossible not to bypass the usual chain of command via a director general sometimes to get things done quickly. "Because the quality of Eurocrats is uneven, and the workload badly distributed – more so than in a national service – you quickly identify the movers and shakers in your directorate," says one former chef de cabinet, "and start going to them direct." In theory, the directors general could probably put a stop to this, were they to take a united stand. But they don't, because being of different nationalities, "there is no solidarity among them," says another official.

The Commission services are politically porous in other ways. At the end of a four-year Commission term, some cabinet officials parachute into career posts, rather than return home to national capitals and civil services. The Commission's in-house unions deplore this "irregular" form of entry, though they concede that it can bring in valuable new blood and ideas. The landing, too, can be bumpy for many a parachutist who finds life at the top gave him an exaggerated view of the joys of Brussels.

To the unions, more insidious, because more regular, is the recruiting of temporary agents, who, if they intend to try to become permanent, disrupt the Eurocrats career structure and, if they intend to go back eventually to national civil services, are seen as highly prone to influence by their governments. "Last year half the new posts were temporary, mainly filled by national civil servants," complains Loek Rijnhoudt, secretary general of the European Public Service Federation. "The independence of the European civil servant is at stake." One or two temporary officials, however, admit to getting a kick out of biting the hand that normally feeds them, to a Le Carresque pleasure in being able, while in Commission employ, to work against their national administrations.

In some ways, the Commission is remarkably, almost refreshingly, relaxed about the political leanings of its officials. Indeed, it actively encourages officials to stand for political office. Unlike, say, the British civil service where mere adoption as a candidate would require an

Continued on Page II

The Long View

Fears and tiers in the equities market

THE world is doing just fine, and is giving everybody a grand ride, but will the London stock market soon be forced to get off?

Remember that last-year UK equities tried to pursue their own gloomy path, but by the beginning of 1989 British investors decided that they ought after all to join the global party. The result was a sudden spurt in the early weeks of the year, and since then London has behaved like a faithful follower of Wall Street.

In fact the All-Share Index, by dint of that January catching-up exercise, has actually outperformed the Standard & Poor's 500 Index by a few percentage points this year in local currency terms (although if you take the dollar's foreign exchange gains into account there is no contest).

Similar stock market performances, however, mask very different economic performance in the US and the UK. Whereas the chances now seem good that the US is heading for lower inflation and a soft landing, there are still serious problems ahead for the British economy.

Whereas last year British industry, in the middle of an unprecedented boom, was furious about what it saw as the stock market's irrational pessimism, this summer the growing qualms of industrialists have been greeted only with new post-crash highs.

This may only go to show once again that the stock market is influenced by numerous factors other than the straightforward industrial fundamentals.

This year the flow of money and the wave of giant takeovers have been the dominant influences. But at times the equity market has to come back into contact with the real world. Indeed, in certain respects it already has. Some of the domestic sectors like contracting and property have seriously underperformed this year.

It is worth looking, too, at the sorry performance of the small company sector. Small companies were the growth stars of the economic boom, but now they are perceived to be especially tied to the domestic economy (big companies tend to be much more international in scope) and also to be more vulnerable to a financial squeeze.

Whereas over the five years between 1984 and 1988 the FT-SE 100 Share Index regularly lagged the All-Share by 2 percentage points a year, this year it has outperformed it by 3 per cent so far, a measure of the relative slippage among the 600 non-Footsie constituents in the All-Share. Indeed, the Hoare Govett Smaller Companies Index rose by 13 percentage points less than the Footsie in the first eight months of 1989.

Certainly the domestic economy is looking shaky. Because we are now at an important cyclical turning point it is hard to get a clear picture, but for perspective it is useful to look back at last November's autumn economic "forecast" by the Treasury. I include the inverted commas because this was not so much a serious forecast as a statistical projection of what a comfortable soft landing would look like. As such, it set a benchmark for assessing the extent to which the economy has gone off course.

Although the London stock market appears to be ignoring the deterioration in the economy, important structural changes are taking place

Inflation is likely to be at least 7 per cent at the end of 1989, two points high than forecast, and problems for next year are building up as it looks likely that growth in manufacturing unit labour costs will be at least 6 per cent rather than the 2½ per cent suggested by the Treasury.

Meanwhile, the trade deficit is simply not being turned around. The forecast was that export volume growth for 1989 would be 5½ per cent against 4¼ per cent for imports. But in the second quarter export volumes rose by just 0.2 per cent, while imports were up 9.4 per cent. So the balance of payments deficit for 1989 could easily come out at £18bn against the optimistic £11bn projection (which the Treasury raised to £14½bn in March).

The corporate sector has performed well for its shareholders, raising profits and dividends sharply, but seems to be failing to achieve the supply-side transformation which might cure the country's trade problems. In the process, the corporate sector has gone into financial deficit which, the Bank of England reminds us, looks like persisting for an almost unprecedented second year running.

And just as the stock market is ignoring the fundamentals, so are the trade unions. Or at least, perhaps they are more interested in the demographic fundamentals, which imply a growing underlying labour shortage, than in near-term economic problems.

So far, however, it has been remarkably easy for the UK to finance its external deficit by attracting hot money, and we have to thank the benign influence of US economic policy, which has calmed the international scene. But this is an uneasy equilibrium.

An immediate challenge is that growing confidence in the US administration is being reflected in the strength of the dollar. If the Japanese and the Germans cannot tolerate any further depreciation of their currencies, and raise their interest rates, the UK will have to follow. That will lead to the application of further domestic pressure – although the Government will at least be able to blame it on the foreigners.

For the stock market, a hard landing would be by no means all bad news. The quicker the recession comes, the sooner interest rates can fall, and the sooner sterling can come tumbling down in order to initiate, belatedly, the process of export growth and import substitution. That will create winners as well as losers.

But the general conclusion for equities must be that we will see the further development of a two-tier market. International grade stocks will continue to move in line with Wall Street, but domestic companies face an altogether more risky and problematical future. Cinderellas can't stay until the end of the ball.

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MARKETS

FINANCE & THE FAMILY: THIS WEEK

Results season in full swing

The interim profit reporting season continues at full pace next week with results expected from leading companies in several industrial sectors, including RTZ, Associated British Ports, P & O, United Biscuits, the Prudential, Kleinwort Benson and others. **Page IV**

BES business still brisk

Despite the large number of Business Expansion Schemes on the market and the efforts made to market them, new BES offers are still popping up. **Heather Farmbrough** reviews the latest ones. Plus **John Edwards** reports on a "new" fund from unit trust giants M & G. **Page V**

Tartan tonic for the Rock

The opening on Monday of the Bank of Scotland's new office in Gibraltar is a welcome piece of good news for the colony, which has had its reputation as a financial centre tarnished by the Barlow Clowes scandal. **Peter Gartland** reports. **Page VI**

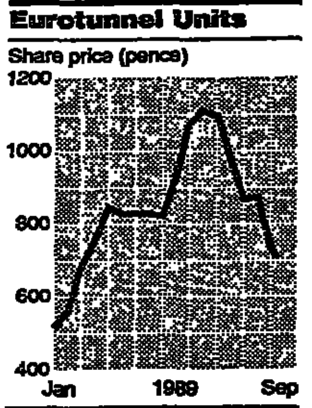
Machiavelli had it right

The Florentine Republic master-diplomatist Niccolò Machiavelli might be thought an unlikely mentor for the modern entrepreneur but, as **George Bull** explains, he had some relevant ideas. Plus **Roy Hodson** meets a toymaker who is hoping for a happy Christmas. **Page VII**

■ **BRIEFCASE:** Right to see accounts: **Page VI**

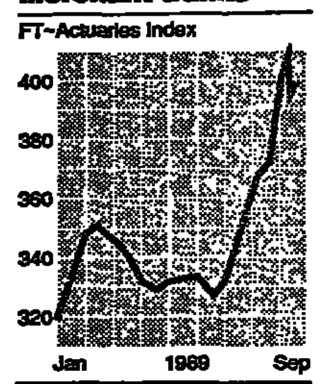
Eurotunnel Units

Share price (pence)



Merchant Banks

FT-Actuaries Index



Further blow for Eurotunnel shares

Eurotunnel shares suffered a further blow this week with the revelation that the construction companies building the tunnel want the company to raise funds through a rights issue, rather than through "junk" bonds, for example. The shares are now not much more than half the value they were in the spring. The price slump began in the early summer when the company revealed that it was talking to its bankers about raising cash to cover cost overruns on the construction of the Channel tunnel.

Sentiment has subsequently not been helped by a lack of information from the company — analysts have assumed that little will be forthcoming until the company's next set of figures early next month. Despite these setbacks, investors who bought the shares on issue are still showing a healthy profit of more than 100 per cent on their original investment. *Daniel Green*

Merchant bank sector is lifted

Share prices in the merchant banks sector made rapid progress this week after a long period of underperformance caused mainly by losses in securities markets as a result of low trading volumes. The recovery in the sector was attributed to rumours of a predatory move against Morgan Grenfell; the sharp increase in takeover bids and corporate deals in the UK; and growing confidence in the stock market, where share prices are on the brink of moving to record levels.

Analysts have been upgrading their profits forecasts for the top banks, prior to the merchants' interim reporting season which begins on Wednesday with results from Kleinwort Benson. Morgan Grenfell reports the following day, as does Willis Faber, the insurance broking group which has a near 21 per cent stake in Morgan. Recently there has been revived speculation that the Willis stake in Morgan is about to change hands at 350p a share. *Stephen Thompson*

House prices still in decline

Further confirmation of the decline in house prices was provided by the Halifax Building Society this week. Its latest monthly survey showed that during August prices fell on average by 0.3 per cent, the first time since 1985 that prices have fallen across the country as a whole, after allowing for seasonal variations.

The society said that this was the first time in recent years that prices have fallen during the summer. Annual house price inflation has dropped sharply to 14.2 per cent compared with 18.1 per cent in July and well over 30 per cent earlier this year. The society expects it to fall to 5 per cent by the end of 1989.

The main falls in property values are in the south of England and the midlands, but further north, house price inflation is slowing rapidly. The Halifax predicts that prices are likely to remain depressed next year, but that sales will increase as sellers begin to accept "more realistic" prices. There are already signs of increased demand for mortgages. Two fixed rate mortgages (12.25 per cent for two years, and 12.45 for three years) offered by the Abbey National this week sold out rapidly. Abbey said there had been an "incredible response" far beyond its expectations. *John Edwards*

Unit trust figures

Australian funds were the top performing unit trusts during August, according to figures issued by Micropal. However over one year and five year periods, they were the worst performers. For example Waverley Australasian Gold, which topped the August league table, was at the bottom of the 12-month table.

Conversely, funds investing in smaller companies were the poorest performers in August but among the top performers over a five-year period. European unit trusts dominate the top 25 best performing funds over the past year. *J.E*

Council homes sales investigated

The Department of Trade and Industry said that it was investigating whether there had been any "misconduct" at Homes Assured, the company formed to help council tenants seeking to buy their own homes. Homes Assured went into liquidation at the end of last week with debts estimated at £6m. Many of its 20,000 clients are believed to have lost money, and only 1,500 have completed their house purchase so far. *J.E*

LONDON

Autumnal chill takes the heat out of rally

THE STOCK MARKET has been full of confidence throughout the summer but this week it betrayed a few signs of nervousness as autumn approached.

On Wednesday, rumours of a big rights issue and a sudden downturn on Wall Street caused the FT-SE 100 Index to fall 35 points – back past the 2,400 level it had passed after much effort the previous week.

Although much of the ground was regained on Thursday and Friday, as traders reacted to the discovery that the rights issue (from Polly Peck) was asking for a modest £283m, Wednesday's plunge indicated that the market's current strength could be built on sand rather than rock.

The Polly Peck issue, made to fund the purchase of the fresh fruits business of Del Monte from R J R Nabisco, further illustrated how far Polly Peck has come from its days as a penny stock. The company may have been unfashionable, in investment terms, for some years but it is now the third largest fruit company in the world and has avoided the disasters that have beset many former "wonder shares."

There is nothing that the market enjoys more than a good takeover battle and a three-way scrap began this week when Bowater Industries, the packaging and industrial products group, launched a hostile £382m bid for Norton Opax, the specialist print and packaging group.

Norton Opax was already bidding for De La Rue, the banknote printer, and indeed later in the week Norton defiantly increased its bid to £679m. Bowater wants Norton to drop the De La Rue bid and has a 29.99 per cent stake which it will use to vote against the deal.

To add spice to the battle, Norton obtained a High Court injunction against Bankers Trust, which was acting as adviser to Bowater. The injunction was overturned but the Takeover Panel ruled that Bankers Trust, which in 1988 had advised Norton, had to step aside.

There was also an increased £137m offer this week from Lilley for fellow construction group Tilbury. The bid battle has so far revolved around Lilley's arguments that small construction groups need to combine in order to compete for the big infrastructure projects in the 1990s; Tilbury however has a perfectly respectable profits record and analysts are divided over whether Lilley's offer is high enough to succeed.

Meanwhile the GEC-Siemens bid for electronics group Plessey seems finally to have come to an end ten months after the joint bid was launched and four years after GEC originally launched a hostile offer.

By Friday morning the consortium had picked up a further 19.2 per cent of acceptances to add to the 29.4 per cent it owned outright, and purchases in the market finally pushed GEC-Siemens over the 50 per cent level later yesterday afternoon. Lord Weinstock has claimed his prize at last, having overcome the hurdles set up by the Monopolies and Mergers Commission, the Ministry of Defence, and the Plessey board.

Another bid battle which appears to be almost over is the fight for control of Red Funnel Group, the Southampton ferry operator. Sally UK, the Scandinavian owned ferry and travel company, had bid £24m for Red Funnel but the bid was topped by an agreed £27m offer from Associated British Ports. This week, Sally said it would not be increasing its offer.

Away from the bid scene, the debate continues over the outlook for the British economy. There was little news on the economic front this week but the interim results season started in earnest, allowing analysts to pore over the figures for signs of either recession or continued economic growth.

Stores groups have been suffering for some time and the August CBI/FT distributive trades survey, published this week, showed that retailers are more gloomy about the business outlook than at any time since 1983. The survey also noted slow sales growth in the wholesale sector, which showed that "restrained consumer spending is now beginning to spread throughout the economy."

Most of the profits warnings, and downturns, in recent months have come from smaller companies. The list continued this week with a profit warning from D C Cook and lower profits from Edinburgh Fund Managers, Federated Housing, Hartons Group, Metal Closures, Miller & Santhouse and Porvair and losses at Coated Electrodes International.

'There are those who fear that analysts' forecasts of earnings growth might be over-optimistic'

But there were three announcements that were even more significant. Bunzl, the distribution and specialist manufacturing group, reported a fall in interim pre-tax profits from £43.4m to £41m, which it attributed to losses on currency hedging and the disposal of its transport businesses.

Then T & N, the engineering group, revealed a similar fall in interim pre-tax profits – from £43.1m to £40.2m – although this admittedly was caused by a £9m exceptional charge reflecting asbestos-related disease claims.

The fact that two substantially-sized companies reported lower profits adds substance to those who fear that analysts' forecasts of earnings growth might be over-optimistic. And the £6.22m interim loss announced by Hambro Countrywide, the estate agency and financial services group, highlighted the depressed state of the housing market, which continues to have knock-on effects on the corporate sector.

Wilson Bowden, a housebuilder based in the south and Midlands, said this week that the market was in its worst condition for 25 years; Costain reported house sales 50 per cent down on a year earlier; and AMEC warned about adverse effects on housebuilding profits in the second half of this year.

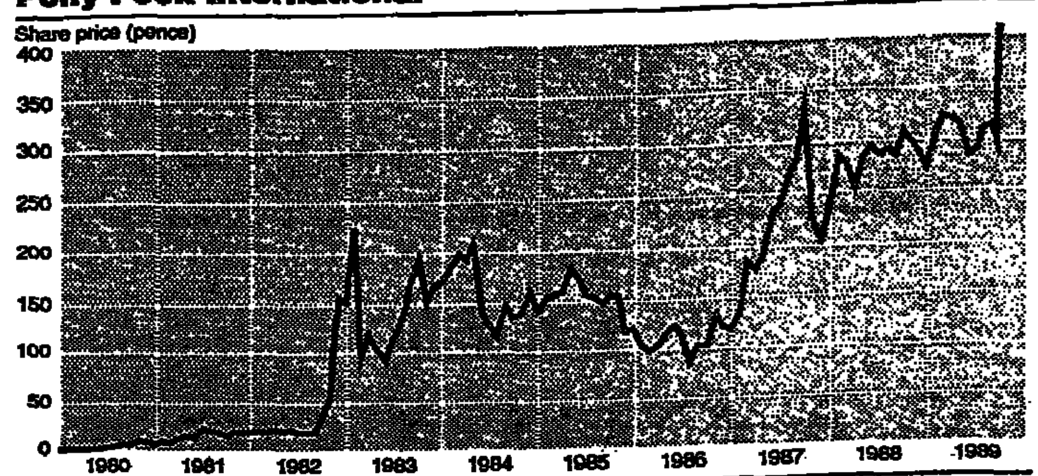
The above summary is clearly a selected sample: Warburg Securities, which has analysed 20 sets of interim results, finds that profit and earnings outturns are generally in line with expectations and that dividend growth forecasts are being edged up for this year and next year.

Warburg thinks that the FT-SE index will stay in a trading range of 2,350 to 2,450 for the next few months. But others fear it may be time for a sharp, if not long-term, correction in the market.

Philip Coggan

Polly Peck International

Share price (pence)



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2423.9	+18.4	2426.0	1782.8	Institutional demand
BP	319	+13½	321	249	New chairman/asset sale imminent
Burmah	639	-20	679	480	Int. figures disappoint
Cable & Wireless	611	+34	614	365	US roadshows/ADS listing soon
Capital Radio	1061	+127	1135	504	Citicorp 'buy' recommendation
Carlton Comms.	938	+47	947	682	Batman/Bambi video release hopes
Comm. Union	440	+21	450	335½	Takeover speculation
Conder	1145	+130	1150	373	Trebled profits/doubled int.div.
Cookson	349	-21	384	256	Disappointing interim figures
Enterprise Oil	609	+29	635	418	Texas Eastern deal settled
Eurotunnel Units	698	-40	1172	376	Rights issue fears
FKI	106	-20	128	60	Cancels sale of US div.
Kleinwort Benson	364	+21	373	277	Profits upgrade/int. Wed.
Logica	364	+23	411	321	Broker 'buy' recs./figs. Sept 21
Lowe Howard	449	+19	455	324	Sale of PR division
Miller & Santhouse	187	+27	440	145	Agreed 185p a share Boots bid

WALL STREET

Where have all the bargains gone?

"WHERE HAVE all the bargains gone?" asked Barton Biggs, Morgan Stanley's chief investment strategist, at the top of a widely-publicised letter to clients on Wednesday. The question was obviously rhetorical. Biggs, one of Wall Street's canniest investment managers and the man who coined the term "melt-up" to describe the summer rally which he correctly predicted in May, was unable to identify any companies or sectors that were still underpriced.

"I find it very difficult to develop sparkling new, compelling investment ideas both in terms of the market and specific stocks," Biggs admitted. "The only cheap stocks left are junk companies that aren't worth what they are selling for unless some greater fool takes them over."

An admission like that was not to be taken lightly, especially from a man who earns millions precisely for his expertise in "developing new, compelling investment ideas." In a direct response to Biggs's comments the Dow Jones Industrial Average fell 25 points on Wednesday, closing below its 1987 high of 2,722 for the first time in two weeks. From that point on there was little in the way of technical support for the market above 2,650 on the Dow and stock prices continued to fall on Thursday and Friday morning.

As a result the nine-week string of uninterrupted weekly gains on Wall Street, the longest such winning streak since 1965, was finally broken. For many investors, however, the setback was less a cause for sorrow than relief.

Every bull market needs to pause for breath and this summer's rally was showing distinct signs of exhausting itself in a flurry of speculation. As Biggs noted, the prices of non-cyclical growth stocks which had led the market's advance, companies like Coca-Cola, had risen in many cases to "ridiculous" levels. Takeover candidates, both real and rumoured, in sectors such as airlines, media, foods and hotels, were now at even more exorbitant "greater fool" levels.

This still left many cyclical industrial and commodity stocks, which have lagged far behind this year's bull market. But even these companies, in sectors such as paper, energy, chemicals and metals, took off last month. Indeed, apart from the takeover-driven airlines, the strongest market sectors in August were non-ferrous metals and aluminium companies, truckers, railroads, container-manufacturers and car makers. After advancing 10 per cent or so in one month, even these cyclical stocks seemed to be due for a rest. The cyclicals have had "a good pop," as Biggs remarked. "International Paper at $58 is a different animal than at $48."

Looking towards the slightly longer term, however, a very big question is still begged by this relatively sceptical analysis of the opportunities left on Wall Street. Does it make sense that a dollar of Dow Chemical's earnings is reckoned by the market to be worth only 50 cents of earnings at Philip Morris and 30 cents at Coca-Cola? Or that a share of Digital Equipment's profits is thought to be valued only two-thirds as highly as a similar stake in McDonald's?

The cyclical stocks may have had a good pop, but many of these companies are still trading at levels which discount either an imminent recession or the continuing erosion of American industry's ability to compete against the world. If neither of these developments is likely than a further large-scale reassessment of relative values on Wall Street is still on the cards. In that case – and last month marked only the beginning of a shift in market leadership towards the industrial stocks – it could turn out that, pace Biggs, there still are quite a few bargains are left among the industrial stocks.

There is just one, rather serious, problem with this prognosis. The very events which could assure the US economy against recession and protect the country's manufacturing sector against further competitive decline are likely to be interpreted bearishly by Wall Street's macroeconomists. These are a resumption of last year's consumer and investment boom on the one hand, and a decline in the dollar on the other.

The reasons why Wall Street fears a consumer and investment boom are familiar enough. Strong economic growth will tend to fuel inflation and this in turn could lead to a reversal of the downward trend in interest rates – an unambiguous detriment for equity valuations. Even with higher interest rates, a readjustment of the relative values of service and industrial stocks could well occur. But instead of the cheap industrial issues rising, the valuations could be equalised through abrupt falls in the expensive non-cyclical companies with extremely high price-earnings ratios.

A gradually depreciating dollar, on the other hand, would be more beneficial, at least in the long term. A lower dollar would obviously help American exporters and companies which compete against imports. But it would be equally desirable for non-manufacturing multinationals like Coke and Philip Morris which derive a high proportion of their incomes from overseas.

If a decline in the dollar were provoked by a significant deterioration in the US trade balance – and this is a distinct possibility – it could produce a very sharp change in sentiment in the currency markets. That in turn would precipitate a massive sell-off in the bond market, revive memories of 1987 and probably lead to a big setback on Wall Street, at least in the short term.

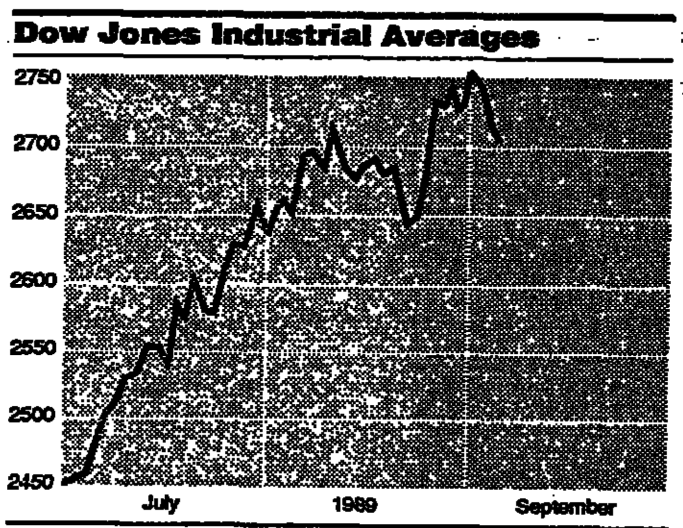
Indeed, a sharp decline in the dollar following disappointment with the monthly trade figures is probably the biggest immediate danger facing the equity market. In the medium-term, however, a decline in the dollar should prove easier to manage this year than it was in 1987. For one thing the world's central banks now have enormous dollar-buying capacity following their intervention to keep the US currency down earlier this year.

More fundamentally, there does seem to have been an underlying shift in the world's perception about America's ability to solve its long-term industrial and economic problems. The present relative valuations of industrial and service stocks on Wall Street do not reflect that perception. And in the long run Wall Street may prove right in its scepticism about American industry.

	Closed	
Monday		
Tuesday	2744.68	– 7.41
Wednesday	2719.79	– 24.89
Thursday	2706.88	– 12.91

Anatole Kaletsky

Dow Jones Industrial Averages



JUNIOR MARKETS

Fall of the motor baron

AT TIMES, motor dealers can appear to resemble local barons of feudal times, glowering over the top of their ramparts and occasionally venturing forth to skirmish for the spoils of war.

Yet occasionally, these barons succumb to a force much mightier than themselves and such has been the sad tale of D.C. Cook, the USM-listed motor distributor, which announced this week that it had been severely hit by the loss of several dealerships.

As a result of a change in policy by Nissan, the Japanese motor company, Cook lost five of its dealerships and had to incur considerable expense in restocking these garages with new ranges and in altering its marketing promotions.

This resulted in large exceptional costs and led the company to warn that pre-tax profits for the year would be substantially below analysts' forecasts of about £8.5m and even below the previous year's £5.2m. The full scale of the difficulties will only become apparent later this month when Cook reveals its results for the year to April 30.

All this comes as a terrible body blow to Cook, which was rapidly emerging as one of the most innovative and dynamic of motor distributors. The energetic Derek Cook, chairman of the eponymous company, was renowned for his hard work and earlier this year won the USM Entrepreneur of the Year Award. But his company now faces an uncertain future and will struggle to recover to the promising levels it achieved since coming to the USM in 1987.

Cook does, however, have other strings to its bow and both its property division and financial services operations are reported to have performed very satisfactorily during the year. Cook has also built up a retail services business running about 20 convenience stores on garage forecourts, although these are still at an early stage of development.

However, the unfortunate episode with Nissan may serve to conceal some of the more deep-rooted problems within the company. Cook has grown rapidly since joining the USM and is perhaps beginning to show some sign of growing pains. There have been rumours of boardroom ructions as some in the company have found it difficult to adjust to public company status, and further management changes may be in prospect.

Just to compound Cook's woes, leaner times are forecast for motor distributors now that the August car sales jamboree is over and worries about the British economy begin to bite.

Interesting times may lie ahead at Brompton Holdings, the inspection and safety specialist which revealed on Friday that if was in talks with a third party which might lead to an takeover offer. The news pushed Brompton's share price up 8p to 131p, capitalising the company at £22.6m.

The company's few followers in the City of London were surprised at the announcement and could hazard few guesses as to who may be taking an interest. But any offer would almost certainly have to be an agreed one in light of a 40.2 per cent holding by Paul Bristol, Brompton's deputy chairman and joint chief executive. The other major shareholder is Inspectorate, a Swiss company also involved in the inspection and testing business, which has a stake of 37.2 per cent.

Brompton, formerly known as Oilfield Inspection Services Group before being bought by a consortium led by Bristol in March 1988, last month reported a return to profit in the first half of 1989. It made £606,000 in pre-tax profits compared with a loss of £297,000 in the comparable period. The company said the group had enjoyed an excellent first half and that demand for its services across a range of industries continued to be strong.

The company is mainly involved in inspection and non-destructive testing in the oil and power generating industries. Since Bristol became involved in the company Brompton has broadened its interests by merging with the UK operations of Inspectorate and now operates from three centres in Aberdeen, Great Yarmouth, and Stockton. It also has foreign interests in the Middle East and Africa.

In Brompton's 1988 annual report, Bristol said that he saw rapid growth ahead in the environmental and safety areas of industry, especially in view of such disasters as the Piper Alpha oil platform explosion and the Chernobyl nuclear accident. He also suggested that Brompton would expand by means of acquisition. Last month Brompton did just that and bought the inspection and safety businesses of Atkins Holdings Group for £1.25m. At the same time, the company raised £860,000 through a share placing.

Bristol has had a long career in the UK oil industry and is a former chairman of BOM Holdings (previously Bristol Oil and Mineral) and KCA Drilling. But rather than continuing to expand Brompton, it seems, may become subject to someone else's expansion plans.

John Thornhill

The faceless ones

Continued from Page I

official to resign immediately, a Commission official can simply apply for up to three months personal leave to campaign. A number do this, particularly for the European Parliament elections. If they fail to win election, they simply return to the Commission without impairing their career – witness Horst Krenzler, who ran as a German FDP candidate in 1979 and who is now director general for external relations.

If they succeed, they can get leave for the duration of their term of office. Stanley Johnson availed himself of this in 1979, when he took leave as adviser to the environment directorate general to win election as Tory Euro-MP for Hampshire East and the Isle of Wight. Despite such Strasbourg successes as getting a ban on the import of baby seal fur into the Community, five years later Johnson resigned this very safe Tory seat to return to his old job in the Commission. ("There was plenty of scope to work for the environment on both sides, and besides I didn't feel desperate to read about myself in print," says Johnson.

He puts his own name in print, though, by writing books, one of which is probably the very first Berlaymont thriller called – guess what – the Commissioner).

Johnson is so far the only MEP to return to the Commission. But some Tory MEPs who lost their seats in June were Commission officials, as was James Elles, a Tory MEP who held onto his seat this year. And, of course, a number of those at the top, overtly political level of the Commission – Delors himself, Martin Bangemann, Christiane Scrivener – once sat in Strasbourg. At the next level down, there are some refugees from national politics – Laurens Brinkhorst, a former Dutch minister who runs the Commission environment directorate and, indeed Andreas Van Agt, an ex-Dutch prime minister, who is currently the Commission's man in Tokyo and now slated for Washington.

Partly because it has such people within its ranks, the Commission is, for a civil service, more oriented to action than to routine. It is in fact often peculiarly ill-suited to humdrum tasks. Because it is young and, even more, because it is multinational – the Commission lacks an administrative tradition. To some this is a key failing. This shows, says a (Belgian) Eurocrat, in the way that minutes of meetings are written up. "Only the British do it automatically," he says.

This dearth of routine in-house reporting aggravates a chronic lack of coordination between different services. Often the first a service will hear of a matter in which it has a vital interest is on a Monday when the various chefs de cabinet get together to prepare an agenda for Commissioners at their regular Wednesday meeting.

To others, this lack matters little. A senior British Eurocrat says he was brought up in the Whitehall tradition – "minutes on the left hand side of the file and letters on the right hand side". Sure, he admits the way of doing business is messy. But it gets done, he claims, and quickly. Decision making is measurably speedier than in Whitehall. Look, he says, at the way the Commission – and Council – decided on food aid for Poland. In nine days flat. "By the results," he stresses, "shall ye judge us."

FINANCE & THE FAMILY

John Edwards on TSB Trust's capital protection move

Plan to reduce Jersey gilt fund dividend

THE TSB Trust Company has confirmed that it is planning to reduce the dividend on its Jersey-based gilt fund "to avoid an unacceptable erosion of capital." However, it is maintaining the present dividend policy for the next six months, so that the effect of the reduced dividend will not be felt until next year.

In a letter to the 60,000 investors in the £390m Jersey gilt fund, TSB said the planned change in the dividend policy would imply a reduction in dividend from 12p per share a year to 11p, given the current make-up of the portfolio.

The letter explains that the directors were concerned that if current market conditions persist, it would no longer be possible to achieve the present high level of dividend (ranging between 11 and 13 per cent a year over the past 11 years) and provide an adequate protection of capital. As a result, measures had been taken to reduce the risk to capital.

Apart from cutting the dividend per share, TSB has also decided to substantially increase the cash holdings of the fund. This not only reflects the directors' views of the current state of the gilts market, but also provides more support for the dividend.

The directors believe, says the letter, that the change in the Government's funding policy had now developed into a trend that made it increasingly difficult to achieve the fund's objectives in the gilts market.

Douglas Aitken, marketing director of MIM Britannia International, in a lengthy letter to Stanley Pelter, the Weekend FT reader whose complaints about the company's Jersey gilt fund were quoted last week, claimed that it was "totally untrue" to say that the position (about a possible loss of capital) had not been explained.

He said very few investors in the fund had complained about the change in dividend and investment policy and, in fact, they had received compliments in favour of the changes, particularly from sophisticated investors and knowledgable professional advisers.

Aitken said the FT article had failed to mention that as well cutting the dividend from 13 to 9 per cent, the fund had also changed its investment policy to provide more flexibility because of the changes in the gilts market.

"It is most unlikely that the FT will see fit to print the true picture of the MIM Britannia Jersey Gilt Fund changes as it is unlikely to be newsworthy," Aitken concludes.

In spite of MIM Britannia's claims, readers continue to contact the FT to complain about having been misled and not being aware that their capital was at such risk.

The widely-held view among professional advisers and other fund managers is that the MIM Britannia Jersey gilt fund sustained a wrong investment strategy for too long in an attempt to maintain a high dividend figure that was used to attract investors, who are now paying the price.

For example, Kleinwort Benson, the top performing offshore gilt fund over the past five, seven and 10 years, says it has never had to cut into capital. This had meant, however, that it has not been able to match the high yields promoted by MIM Britannia and TSB to attract business.

There is general agreement that the change in the Government's funding policy making it a buyer, rather than a seller, of gilts has undermined the whole market, already weakened by high interest rates and rising inflation. Faced with a particular shortage of exempt gilts paying interest gross, many funds are now spreading their investments either in cash deposits or "bulldogs"(foreign government securities designated in sterling) and other bonds.

Meanwhile, more complaints have come in from readers about another scheme featured last week offering a high "income" without, it is claimed, giving a proper warning of the strong possibility of capital being lost rather than a profit being made.

As reported last week, American Life's Extra Income Bond, which is being heavily promoted by some intermediaries, offers a guaranteed income of up to 14 per cent with the "real prospect" of capital growth as well by investing in a Personal Equity Plan.

American Life, after consultations with Lautro (Life Assurance and Unit Trust Regulatory Organisation), agreed to amend the original promotional literature sent out making it clearer there was no guarantee that the original capital investment would be returned. It is also contacting any investors who responded to the original campaign to make sure they are aware of the potential risk involved.

The problem is, according to the critics, that even the new promotional material does not make it plain that the PEP fund, in which part of the capital is invested, would have to achieve a remarkably high annual return to ensure the return of capital, let alone increase it.

Estimates of the growth rate needed vary. Ian Chalmers, director of Newman Birts & Partners, London intermediaries, calculates that if the maximum lump sum of £37,900 is invested, the PEP would have to grow by an average annual rate of 23 per cent, before costs and charges, just to restore the capital after four years.

Capel-Cure Myers Capital Management in its private client newsbrief out this week has some harsh things to say about a "colourful circular" from a certain firm of insurance brokers on the south coast (one of the intermediaries promoting the Extra Income Bond).

It estimates that the PEP would have to grow at over 25 per cent a year compound over four years and "this is not a rate of growth that many would like to rely on." At a growth rate of 15 per annum, it adds, investors would only get back about 82 per cent of their original investment.

The firm's advice on what to do with this "invidious collection of waste paper" is that "it is not a scheme which should be cast lightly aside — it should be hurled with great force."

Optimistic Abbey

IF YOU hold Abbey National shares and are wondering when to sell them, the outlook now looks rather encouraging.

On Thursday, when Abbey National tipped a further 29m shares into the market — about 2.3 per cent of the total issue — buyers responded greedily by mopping them all up within hours, and pushing the share price up to 150p.

It begins to look as if those who say that Abbey National shares are undervalued and likely to rise steadily in the next few months may be right.

So far, only about a fifth of the people who received the standard allocation of 100 free shares seem to have sold them. This means there is something of a scarcity of Abbey shares as far as the large institutional investors are concerned.

It is difficult to say how many of the small investors are consciously hanging on to the shares until the price improves and how many are not used to the idea of owning and selling shares.

Small investors may have only a limited time in which to use Abbey National's special low-price sharedealing service, due to end on September 29.

However, because so many shareholders received their certificates late, Abbey National says it may extend the deadline into October.

David Barchard

The tide of ads promoting the latest privatisation is rising, reports **Clare Pearson**

Up to our necks in water publicity

VIEWERS who have been watching for months TV images of a bright-eyed child gazing at the miracle of running water may be surprised to learn that the promotional campaign leading up to privatisation of the water industry started only this week.

For those so-called public awareness ads, which were industry-funded, were just the beginning. Now for the serious stuff, the run-down to the flotation: as the autumn progresses, you can expect continual reminders of the forthcoming opportunity to buy shares in the 10 water and sewage businesses of England and Wales.

A number of details of the offer were confirmed this week at the campaign launch. Also, one key feature emerged which will set this privatisation apart from all previous ones: to be eligible for the incentives on offer to investors you will have to register your interest in buying shares in advance of making an application.

Pre-registration, where those who express interest have their names and addresses logged onto the computer, has been a regular feature of privatisation issues since the December 1986 flotation of British Gas. It was invented in order to make the share issuing system cope with the vast increase in people wishing to buy shares in privatisations. And preferential treatment, such as a guaranteed number of shares and priority in allocation, has been granted to those who register.

But never before has registration been a pre-requisite for eligibility for *all* forms of incentives.

This has inevitably prompted speculation that evidence of lack of enthusiasm, or even hostility, among the public at the idea of privatised water may have played a part in the linkage. There is, after all, nothing like the fear of missing out on something to get people to register: and once the offer prospectus comes tumbling through their letter boxes, the battle to get them to fill in the form may be three-quarters won.

However, the government advisers to the issue say the idea was thought up 12 months ago, and is needed because of the sheer complexities of the water offer: besides being one of the biggest privatisations, it is also more complicated in that ten different businesses are being floated, simultaneously but separately.

What the incentives will actually be is due to be announced on Tuesday. It is, however, assumed that following the pattern of some previous privatisations, there will a loyalty bonus, probably on one-for-ten basis, for people who hold on to their shares.

Special perks for customers have also featured in earlier privatisation issues. However, these perks are likely to differ in that the Government is keen to encourage people to invest in all the companies, and not just, say, the biggest.

Rather than a voucher towards the payment of bills, the inducement may well take the form of some kind of cash discount on the price of shares.

As far as the retail offer is concerned, the other main details of the structure that were confirmed this week are that investors may apply for shares in any of the 10 companies, not just their local business; and there will be one common price for all the companies, with the differences between the businesses indicated by varying dividend yields.

The offer will be open to everyone in England and Wales, including the small minority who are not customers of the companies, as well as to people in Scotland, Northern Island and other parts of the British Isles.

For those interested in investing, the procedure will go as follows:

● Mailings to the 20 million households which are customers of the businesses, from chairmen of the relevant companies, will be sent out next week. These will comprise an information leaflet covering the industry as a whole, and a reply-paid registration card, addressed to the Bristol-based water share information office.

● A similar mailing will be sent to a list of private investors in Scotland, Ireland, the Channel Islands and the Isle of Man who already hold shares in three or more companies. Their names have been culled from a data base.

● Registration can be carried out either by means of this card, or by telephoning the information office, or by posting to it coupons that will be appearing with advertisements in the press. *Remember you need only register once, regardless of how many companies you want to invest in.*

This procedure ensures eligibility for incentives. It also means that you will in due course receive a composite mini-prospectus which will contain information on all the offers. It will carry a personalised application form that will allow you to apply for shares in your local business as well as in any of the others, on a single application form.

There will be separate public application forms for those who do not register.

The Water Share Information Office; PO Box 1, Bristol BS99 1BW: Tel: 0272-272 272.

SHARE OFFER TIMETABLE

■ Next week	mailing to water company customers; expected appointment of lead underwriter
■ Sept 12	details of shareholder incentives announced
PROVISIONAL:	
■ Late Sept/early Oct	decision on whether to sell shares overseas, and where
■ October	further details on offer
■ Early November	publication of pathfinder prospectus
■ November 22	price published
■ November 29	prospectus generally available
■ December 6	offer closes
■ December 12	basis of allocation announced and dealings commence
■ December 20	posting of documents of title

FINANCE & THE FAMILY

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
AB Electronic Products	Wednesday	3.0	12.0	4.0
Abingworth	Thursday	-	1.25	-
Alumasc Group	Thursday	2.65	5.0	2.85
Armstrong Equipment	Tuesday	1.1	2.4	1.25
Automagic Holdings	Friday	2.25	4.25	2.25
Beltwinch	Thursday	1.1	1.65	1.1
Benchmark Group	Monday	0.75	0.875	0.75
Continental Microwave	Thursday	1.1	2.05	1.1
Haggas John	Thursday	1.0	3.0	1.0
Haynes Publishing	Monday	7.0	10.7	8.0
Highland Electronics Group	Tuesday	1.0	2.0	1.0
Interlink Express	Tuesday	3.25	3.65	3.75
London Merchant Securities	Wednesday	0.6	2.2	0.6
Macro 4	Tuesday	1.6	2.3	1.9
Platignum	Friday	-	-	-
Precious Metals Trust	Tuesday	-	0.55	-
Sanderson Murray & Elder	Monday	-	5.5	-
Scholes Group	Wednesday	2.2	6.8	2.6
Selecty	Tuesday	-	-	-
Sirdar	Thursday	1.65	3.5	1.65
Sunset & Vine	Tuesday	-	-	-
Waterman Publishing	Monday	-	1.5	2.0
INTERIM DIVIDENDS				
Abbott Mead Vickers	Wednesday	2.0	4.0	-
Acorn Computer Group	Friday	-	-	-
Airtey Holdings	Thursday	1.1	2.2	-
ASD	Tuesday	5.5	6.5	-
Associated British Ports Hldg	Thursday	3.5	6.5	-
Baird William	Thursday	2.85	4.7	-
Bardsey	Thursday	0.25	0.5	-
Baynes Charles	Thursday	-	0.5	-
Bletchley Motor Group	Wednesday	-	-	-
Bodycote International	Tuesday	2.75	4.25	-
Brake Brothers	Thursday	1.0	2.4	-
British Aerospace	Wednesday	7.4	13.2	-
British Fittings Group	Wednesday	1.135	5.25	-
British Mohair Holdings	Thursday	1.4	6.6	-
British Vita	Monday	2.8	3.7	-
BTR	Wednesday	5.3	8.7	-
Candover Investments	Wednesday	3.5	10.0	-
Caparo Industries	Wednesday	0.85	1.2	-
Chester Waterworks Company	Thursday	-	-	-
CI Group	Tuesday	0.7	1.1	-
City & Commercial Invest Tst	Friday	2.98	3.455	-
Daniels S	Wednesday	1.25	1.25	-
Davis Godfrey	Monday	3.4	7.8	-
Doncton Tyson	Monday	-	-	-
DRG	Wednesday	4.7	7.8	-
Dukeminster	Friday	-	1.125	-
Edmond Holdings	Tuesday	0.5	1.2	-
Erith	Wednesday	1.3	2.6	-
Fisher James & Sons	Friday	1.95	2.05	-
Hall Engineering Holdings	Wednesday	5.5	8.9	-
Hibernian Group	Tuesday	1.4	2.9	-
Hopkinsons Holdings	Wednesday	1.4	1.165	-
Ipeco Holdings	Tuesday	0.5	1.0	-
Jaguar	Wednesday	3.7	7.3	-
Kerry Group	Thursday	0.61	1.21	-
Kingfisher	Tuesday	3.3	7.2	-
Kleinwort Benson Group	Wednesday	5.3	8.7	-
Kleinwort Smaller Co's Invest	Wednesday	1.175	2.5	-
Laing John	Thursday	3.0	9.0	-
Laing Properties	Thursday	4.5	5.75	-
Lancaster	Thursday	1.3	2.7	-
LASMO	Wednesday	2.5	6.0	-
Legal & General Group	Wednesday	4.5	9.1	-
Manders Holdings	Thursday	1.8	4.55	-
Marylebone Estates Company	Friday	1.25	1.75	-
Matthews Bernard	Thursday	1.0	1.5	-
Mayborn Group	Tuesday	1.3	2.5	-
Merchants Trust	Monday	3.0	3.6	-
Metsec	Tuesday	1.65	1.95	-
Micro Focus Group	Thursday	-	-	-
MTL Instruments Group	Tuesday	-	2.0	-
Morgan Grenfell Group	Thursday	3.85	7.0	-
New Zealand Investment Trust	Thursday	1.5	1.5‡	-
Noble Raredon	Monday	1.67	1.0	-
Norfolk Capital Group	Tuesday	0.18	0.36	-
Ocean Transport & Trading	Wednesday	3.58	8.00	-
Page Michael Group	Tuesday	0.5	1.0	-
Peninsular & Oriental Steam	Wednesday	10.5	15.0	-
Process Systems	Thursday	-	-	-
Prudential Corporation	Wednesday	2.7	5.3	-
Ratners Group	Thursday	1.65	5.85	-
Refuge Group	Thursday	6.5	14.5	-
Rockware Group	Wednesday	1.0	1.25	-
Rolls Royce	Thursday	2.1	4.2	-
RTZ Corporation	Thursday	4.25	10.75	-
Rugby Group	Monday	2.3	2.9	-
Rutland Trust	Monday	0.21	0.42	-
Savoy Hotel	Thursday	-	5.5	-
Scottish Heritable Trust	Tuesday	2.5	3.5	-
Sema Group	Wednesday	0.72	1.44	-
Serco Group	Thursday	-	5.0	-
Servomex	Tuesday	-	-	-
Sherwood Computer Services	Monday	-	-	-
Steel Burrill Jones	Wednesday	2.7	7.3	-
Sumit	Tuesday	1.2	3.3	-
Suter	Monday	2.0	5.0	-
TT Group	Tuesday	2.0	4.0	-
UK Paper	Tuesday	2.0	4.0	-
United Biscuits Holdings	Wednesday	4.5	8.0	-
Ward White Group	Monday	3.0	7.5	-
Watmoughs Holdings	Wednesday	2.0	6.5	-
Wembley	Thursday	0.5	1.0	-
Willis Faber	Thursday	3.85	7.61	-
Wilson Connolly Holdings	Monday	1.0	2.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.‡ 2nd interim dividend.

THE WEEK AHEAD

Results season in full swing

THE INTERIM profit reporting season continues at full pace next week with results expected from leading companies in several industrial sectors.

RTZ, the world's largest mining company, seems well on course to break through the £1bn pre-tax profits barrier this year, based on the strong performance of its operations in North America, Australia and Africa. Its results (due on Thursday) will also include the first contribution from its £2.4bn purchase of British Petroleum's minerals interests, which has been hailed in the City as a shrewd buy. Analysts are expecting earnings of about 28p per share for the half-year, putting RTZ on a p/e ratio of just under 10.

Peninsular and Oriental Steam Navigation (Wednesday) and Associated British Ports (Thursday) give next week a maritime flavour, especially since P & O will be relying on its shipping activities to counterbalance a downturn in housebuilding.

Clive Anderson at Kitcat and Aitken is forecasting pre-tax interim profits of £160m against £111.7m last time, although that was after a £20m provision for the effects of a strike on the group's Dover services over manning cuts. Dan White at County Natwest goes for a slightly lower £140m to £150m, but agrees that the ferry and cruise activities will show a sharp improvement.

ABP is harder to call because the impact of the dock strike earlier this year is still unclear. Port activities were performing well before the dispute, but property profits were likely to be flatter for cyclical reasons. However, ABP intends to take the £20m cost of port redundancies as an extraordinary item at the year end, and on that basis White goes for £24m, against £21m last year.

United Biscuits, headed by chairman Sir Hector Laing, is looking forward to a chillier end to the year. Cooler weather should harden up core biscuit sales and the Terry's chocolate business, which tended to soften in the summer heat. However, first half results, due on Wednesday, should be enhanced by improved performances from KP crisps and nuts and a full six months' contribution from Ross Young's, last spring's frozen foods acquisition.

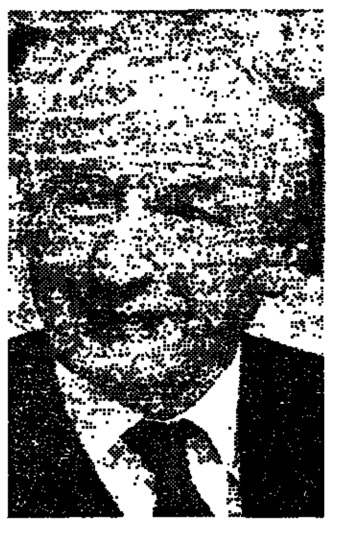
Profits here should be enhanced by volume growth and the savings from integrating the purchase with UB's existing frozen sector interests. Analysts expect pre-tax profits for the six months of around £77m against £68.6m last time.

Two merchant banks announce their results for the first half of year next week and they ought to show a recovery after a dismal second half last year. Kleinwort Benson, which last year made pre-tax profits of £35m at the half year, is expected by some analysts to show slightly lower profits of £31m this year, though others predict that Kleinworts will be able to top last year's level and perhaps even reach £38m. Either way the performance will be a great deal better than the £17m loss sustained by Kleinworts in the second half of last year. Morgan Grenfell (Thursday) is expected to show a half year pre-tax profit of £29m, well up on the £21.9m a year ago.

Equally interesting will be Prudential's results on Wednesday. The good news is that the participation rate — the share of life profits going to shareholders — will rise from 7.5 per cent to 10 per cent.

The chief blotch on the balance sheet is likely to come from losses by the Pru's estate agency chain, which some analysts say could reach £9m. The Pru's earnings are nonetheless expected to rise from £99.7m in last year's interims to between £110m and £125, while pre-tax profits will go up from £159.6m a year ago to between £188m and £210m.

The London & Scottish



Sir Hector Laing, chairman of United Biscuits

David Abell: heading a hectic year at Suter

Marine Oil company (Lasmo) is expected to report net earnings in the range of £25m to £30m. Sterling oil prices have been higher than a year ago, and Lasmo has had more production due to acquisitions. But the new bits and pieces added to the company have made it more difficult to calculate likely results and the range of estimates is broad.

Rugby and Laing, both of which report interims next week, should provide an interesting contrast as to how different sectors of building material and construction are faring in the current climate of high UK interest rates.

Rugby, which reports on Monday, will have benefited from the higher cement sales and prices in the UK reported last week by Blue Circle, Britain's biggest cement manufacturer. Rugby's diversification into steel reinforcement and joinery, however, has been more successful than Blue Circle's various forays into home products. Rugby should just top £40m pre-tax compared with £31.5m last time.

Forecasts for Laing, which reports on Thursday, vary according to how much analysts expects the group's large exposure to UK housing will have reduced gains from UK contracting and from increased profits from housing in California. Estimates vary from £24m to £26m compared with last year's interim of £24.7m.

The interim results on Monday from Suter, the industrial holding company headed by David Abell, will make interesting reading after another hectic period in the group's controversial life. Forecasting a result is difficult because a large proportion of profits are derived from associated companies and share dealing activities. However, the cautious tone expressed by the board at the annual meeting about the outlook for some of the company's industrial activities leads analysts to forecast a marginal improvement in pre-tax profits to about £20m.

Delta Group, the engineering and industrial equipment company, will display some of the preliminary benefits of the restructuring of its cable activities when the interim results are released on Monday. Late December, the company merged its cable business with that of Hawker Siddeley and retained a 65 per cent stake in the new company. This move, coupled with a stronger performance in Europe, is expected to aid in an increase in pre-tax profits from £34m to £43m.

Jaguar announces interim results on Wednesday with analysts expecting a sharp fall in pre-tax profits from £22.5m to about £8m. The US, which accounts for about 40 per cent of Jaguar's sales, will cause most of the damage. The luxury car market has weakened there and Jaguar's currency hedging position means that the effective rate at which dollar profits are translated will rise again.

Currency considerations will also figure in interim results from British Aerospace (Wednesday). Pre-tax forecasts range around the £134m mark compared with £95m last time. But the joker is whether the slower than expected use of tough hedging provisions made in 1987 allows some of these losses to be written back. The Rover business, in for only its second six months, is expected to contribute between £25m and £28m.

Rolls Royce (interims Thursday) has seen possibly its best six months in terms of order intake, but for the moment the city is looking for between £85m and £95m pre-tax. One analyst put these results "firmly in the 'anyone's guess' category" with uncertainties including the possibility of further exceptional reorganisation costs. Last year's exceptional £14.4m charge will flatter this half's performance.

A solid performance from BTR Nylex, BTR's Australian subsidiary which has already reported interims results, will help lift the parent company to about £470m (£268m) pre-tax at its own half way stage. The results, on Wednesday, will also be boosted by its US acquisitions made at the end of last year. But the main talking point is likely to be the intentions of Kohlberg Kravis Roberts, the US buy-out specialist which recently received clearance to buy up to 15 per cent of BTR's shares.

DRG, paper and packaging group beset with takeover speculation due to a near 25 per cent stake held by US investor Roland Franklin, will want to wheel out some impressive-looking numbers for its interim results on Wednesday. Although first half trading will have been dull, the company is forecast to be able to take some £10m in property profits in each year up till the middle of the next decade. These could push the pre-tax line up to about £36m, against £28.3m last time.

UK Paper, manufacturer of fine grade papers and paper merchant, is expected to unveil pre-tax profits slightly in excess of £9m, up from £8.4m, on Tuesday.

Two retailing groups which have both benefited in different ways from the philosophy of piling it high and selling it cheap are Ratners and Kingfisher, both due to report their interim figures this week.

Kingfisher, formerly known as Woolworths, is likely to record pre-tax profits of between £51m and £59m on Tuesday. Followers will want to know how its trading is holding up in the current retail squeeze and will pay particular attention to B & Q, the DIY chain, which may have suffered from the depressed property market.

Ratners, which accounts for about 25 per cent of the UK jewellery market and is now looking to expand in the US, may announce first half taxable profits of about £8m on Thursday. Ratners' interim profits are notoriously difficult to forecast because so much of their business is skewed towards the second half. Analysts will therefore concentrate more on its comments on trading prospects.

In the footsteps of Midas

IN GREEK mythology, Midas was the king who was granted a golden touch. The modern-day version of Midas (Multi-Index Driven with Assets Secured), launched in the form of an offshore bond by Johnson Fry Financial Services, purports to offer the same kind of riches: the chance to unlock the profit potential of the world's stock markets while keeping your original capital safe.

With the Midas 100 version, you are guaranteed the return of 100 per cent of your initial capital after one year; with Midas 90, the guarantee applies to 90 per cent of your capital but potential rewards are higher.

Sounds too good to be true? Well, there is no catch. Some respectable names, including James Capal, are involved, and most of your money is put into fixed-interest securities issued by banks or building societies and is held by the Midland Bank Trust Corporation (Isle of Man) as custodian. However, stripped of the hype, the Midas Bond is not particularly original and is basically a way of selling "call" options in a somewhat expensive package.

It works like this. You choose which stock market index (London, New York or Tokyo) you expect will rise, or go for all three if you put up £15,000. You then decide if you want the return of all your capital guaranteed (Midas 100) or are prepared to risk losing 10 per cent (Midas 90).

With Midas 100, sufficient certificates of deposit are bought to ensure that by the end of the year the interest earned will equal the money spent on buying a special call option on the relevant index, negotiated by James Capel, investment advisers to the fund. Obviously, if you select Midas 90, you will have more money available to spend on the call option and the potential to make a greater profit.

If the stock market index chosen rises sufficiently, then you make a profit on the call option and get this plus your original capital back. If the index falls, the option is not exercised and you simply get your money back. You can "stop" the option after six or nine months, if you are satisfied with the gain made and believe the market may be due for a downturn, but you still have to wait 12 months to collect any profits.

With the Midas 100, the only risk you take is the potential loss of interest that could have been earned by putting in a deposit account.

The initial charge of 5.75 per cent is deducted from the sum put aside to buy the call option, and a performance fee of 3 per cent on any gains made is used instead of an annual management charge. Since your money is held in an offshore life assurance bond, taxation is only payable when you bring the money back into the UK. Since the bulk of the money is in sterling deposits, the only currency risk is on any profits made.

It is often forgotten that the golden touch led Midas to his eventual demise. With the Midas Bond there is genuinely limited risk, and the chance of making money if the call option pays off. However, it is a rather tortuous way of buying a call option and involves a much larger outlay.

John Edwards

PEPs given a vote of approval

THE NEW-STYLE personal equity plans (PEPs) are an innovation which may turn out to be at least as important for wider share ownership as the Government's privatisation policy, according to a survey by the UBS Phillips & Drew stockbroking group.

PEPs now make financial sense for the small – or indeed any – investor who is interested in equities, the report says. Furthermore PEPs have made the holding of equities by individuals "fiscally privileged" for the first time.

It claims that the changes, announced in the last Budget, mean that PEPs now make sense even for basic rate taxpayers with no CGT liability. With the most competitively priced PEPs it estimates that the cumulative tax saving over a five-year period would be £485 for basic rate taxpayers and £1,334 for higher rate taxpayers. These savings rise to £2,015 and £3,705 if they have a CGT liability.

Meanwhile the flow of new PEPs continues. Eagle Star and Hambros have both launched stand-alone unit trust PEPs, where you have a choice of funds and there are no extra charges. The problem is that once you are committed to a unit trust-only PEP, your investment is restricted to £2,400, unless the same company is also offering a share PEP in which you can invest a further £2,400.

In spite of this M & G, whose new-style PEP launched on June 1 has attracted over £31m for 19,400 investors, confirmed that it has decided not to introduce a full PEP investing in shares. The group considers that it is important to keep the PEP message as simple as possible if it to reach new investors and help widen share ownership. So they have decided not to become involved in a share PEP that is more complicated and carries a larger element of risk.

J. E

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Avis Europe	600*§	586	560	836.5	Citra Hldgs.
BAT Inds.	-	816	694	13.5bn♦	Hoylake
Beacon Group‡	53*	52	46	25.3	Anglo Invs.
De La Rue	478§§	384	328	652.7	Norton Opax
Descutter Bros.	700*	684	541	58.40	Atlas Copco
Goldberg (A.)	181½	171	175	30.98	Blacks Leisure
Gordon Russell	487½*	456	301	62.1	S'Crease Strafor
M.I. Research	295*	289	288	23.2	MAI
Medminster	160	159	108	12.29	Expedier Lels.
Miller & Santh'se	185*	187	180	14.54	Boots
Molins	230*§	225	208	62.75	EP Securities
Norton Opax♦	228¼§§	216	191	325.0	Bowater Inds.
Plessey	270*	267	275	2.0bn	GEC/Siemens
Prestwich Hldgs.	140*	137	125	51.0	Bestwr (236)
Rendsworth Trust	325*	321	309	186.0	OBerflow
Red Funnel	288¾§	264	243	27.36	Assoc Brit Ports
SMAC	115§§	105	91	14.72	Lookers
Steel & Simpson‡	2155*	2150	1900	55.4	Clayfons Props.
Do "A" Non Vtg‡	152*	150	169	34.5	Clayfons Props
TR Energy	28	23½	22	27.0	Europe Minerals
Tedford Jersey	218*	214	188	8.7	Charterhall
Tilbury Group	674§	661	562	138.15	Lilley
UCL Group	51	51	60	4.6	Ferrari Hldgs.

*All cash offer. ††Cash alternative. §Partial bid. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 8/9/89. †At suspension. §§Shares and cash. ♦All paper bid; price attributed by Hoylake. ♦Dependent on failure of Norton bid for De La Rue.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Adacone Group	June	2,920 (1,920)	12.4 (9.0)	6.0 (4.3)
Amber Day Hldgs.	July	2,060 (505)	3.52 (0.82)	1.5 (-)
Armitage Bros.	May	552 (60)	10.0 (1.0)	5.0 (4.5)
Black Peter	June	9,620 (8,520)	13.0 (10.5)	2.4 (1.6)
Cantors	Apr	3,030 (2,230)	15.5 (11.2)	3.0 (2.25)
Coated Electrode	Apr	134 L (641)	- (-)	- (-)
Ferrari Holdings	June	688 (205 L)	0.29 (-)	- (-)
Int'l Colour	June	1,640 (1,610)	11.2 (9.2)	1.45 (0.8)
Isotron	June	2,400 (2,060)	12.7 (10.9)	2.6 (2.16)
MFI Furniture	Apr♦	91,800 (79,000)	- (-)	- (-)
Miller & Santhse	June	502 (1,500)	8.6 (16.5)	2.75 (4.0)
Murray Income	June	7,480* (5,980*)	8.04 (7.25)	8.2 (7.1)
Osprey Comms.	May	1,110 (671)	9.63 (7.25)	3.6 (3.0)
Peters Michael	June	2,340 (2,130)	11.1 (14.1)	3.7 (3.7)
Ricardo Group	June	2,560 (995)	12.6 (4.7)	5.0 (3.25)
Sinclair Golds.	May	2,120 (1,450)	12.3 (8.37)	5.0 (3.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
ADT	June‡	105,800 (80,151)	5.9 (4.9)
AMEC	June	38,100 (22,300)	7.25 (6.25)
Arcolte	July‡	832 (767)	4.5 (4.5)
ASW Holdings	June	20,100 (13,200)	4.0 (-)
ATA Selection	June	404 (437)	1.0 (0.84)
Aronsons Foods	June‡	5,610 (4,340)	1.25 (-)
Beattie James	July	2,593 (2,350)	1.2 (1.1)
Blue Circle	June	100,300 (85,200)	3.5 (3.0)
Booker	June	30,300 (29,100)	6.5 (6.0)
Bowater	June	36,800 (30,500)	8.5 (7.0)
Brammer	June	6,730 (6,500)	4.5 (4.5)
Brown & Jackson	June	1,780 (703)	0.5 (0.1)
Bunzl	June	41,000 (45,400)	2.6 (2.4)
Burmah Oil	June	73,200 (64,780)	8.0 (7.0)
Caspari Int'l.	May	915 (739)	2.0 (2.0)
Cannon Street Invest	June	10,700 (7,220)	3.3 (2.93)
Church & Co.	June	1,650 (2,220)	3.0 (3.0)
Conder Group	June	5,100 (1,750)	6.0 (3.0)
Consolidated Venture	July	110 (41)	- (-)
Cookson Group	June	96,300 (86,960)	3.0 (3.0)
Cooper Alan	June	1,750 (1,320)	2.8 (2.1)
Corton Beech	July	2,260 (1,630)	- (-)
Costain	June	32,400 (29,200)	4.75 (4.5)
CRH	June‡	27,200 (19,500)	1.75 (1.5)
Croda International	June	16,500 (15,700)	4.1 (3.6)
Durham DB Group	June	475 (917 L)	1.0 (-)
Eadie Holdings	June	1,210 (883)	1.0 (0.9)
Edinburgh Fund Man.	July	2,120 (2,360)	4.2 (4.0)
Emess	June	8,200 (4,500)	1.2 (1.0)
English & Scott. Inv	July	2,730 (2,400)	0.65 (0.65)
Enterprise Oil	June●	51,600 (45,400)	5.25 (4.5)
EW Fact	June	368 (323)	1.0 (-)
Fairey Group	July	6,030 (4,080)	2.4 (-)
Federated Housing	June	1,210 (2,820)	2.5 (2.5)
Friendly Hotels	June	1,810 (1,130)	1.35 (1.1)
Gibbs & Dandy	June	20 (452)	- (1.0)
Gowrings	June	510 (301)	2.25 (2.04)
Halls Homes & Garden	June	707 (1,540)	2.0 (2.0)
Hambro Countrywide	June	6,220 L (14,396)	- (1.1)
Harlows Group	June	827 (2,260)	0.1 (0.6)
Harting Son & Daw	July	1,790 (859)	2.5 (1.5)
Heskel	June	10,820 (10,114)	3.6 (3.0)
Hillsdown Holdings	June	67,800 (60,900)	1.8 (1.5)
Home Counties News.	June	1,260 (1,730)	2.5 (1.87)
IMI	June	60,100 (48,500)	3.8 (3.15)
Int'l Business Comms	June	5,100 (6,400)	1.5 (1.3)
Lambert Howarth	June	710 (39 L)	3.0 (2.5)
Linreed	July	1,590 (1,230)	1.8 (1.5)
Lopex	June	3,390 (2,760)	2.9 (2.4)
Mecco Leisure Group	June	31,610 (6,700)	2.0 (1.75)
Metal Closures	June	2,700 (3,500)	2.35 (2.35)
MTM	June	4,100 (3,000)	1.4 (1.1)
New Guernsey Secs.	June	15 (13)	- (-)
Nurdin & Peacock	July	6,160 (5,470)	1.68 (1.48)
Olives Holdings	June	1,210 (170)	3.0 (-)
Optim Group	Apr	471 L (484 L)	- (-)
Paragon Comms.	June	565 (430)	1.4 (1.1)
Parkdale Holdings	June	4,000 (1,990)	- (-)
Pavilion Leisure	Apr	3 (25 L)	- (-)
Pearl Assurance Grp.	June	31,100 (28,900)	7.5 (6.0)
Peek	June	5,830 (2,440)	1.0 (0.9)
PE International	June	2,430 (2,010)	1.7 (1.4)
Pennant Group	June	687 L (481 L)	- (-)
Pentos	June	2,700 (2,411)	0.5 (0.4)
Perkins Foods	June	3,700 (260)	1.4 (1.3)
Persimmon	June	16,200 (13,080)	2.0 (1.5)
Pickwick Group	June	985 (742)	1.25 (1.0)
Polly Peck Int'l.	June	64,400 (48,000)	5.0 (7.27)
Portals Holdings	June	10,040 (9,000)	3.5 (3.0)
Porvair	May	402 (460)	0.9 (0.9)
Provident Financial	June	9,800 (8,540)	7.0 (6.0)
Psion	June	1,630 (1,038)	1.0 (1.0)
Quicks Group	June	2,060 (1,710)	2.0 (1.5)
Ramco Oil Services	June	1,410 (7)	- (-)
Reckitt & Colman	June	98,560 (95,600)	10.6 (9.15)
Record Holdings	June	1,500 (1,500)	1.0 (0.86)
Robinson Brothers	July	1,440 (1,180)	- (-)
Ropner	June	2,680 (2,580)	3.0 (3.0)
Sedgwick Group	June	64,800 (61,900)	4.0 (4.0)
Senior Engineering	June	7,600 (6,060)	1.08 (1.0)
Severfield-Reeve	June	946 (539)	1.0 (0.75)
Singer & Friedlander	June	10,700 (9,100)	2.5 (2.0)
Stat-Plus Group	June	2,820 (2,370)	1.75 (1.5)
Sun Alliance	June	191,400 (182,800)	4.5 (3.75)
Systems Reliability	June	3,020 (257)	0.75 (-)
Taylor Woodrow	June	43,200 (34,000)	1.75 (1.5)
Technology Project	June	786 (522)	2.2 (1.6)
Telemetrix	June	1,480 (541 L)	- (-)
Tioxide	June	93,200 (82,900)	- (-)
TLS Range	June	410 (338)	- (-)
T&N	June	40,200 (43,100)	3.5 (3.1)
Tozer Kemsley & Mill	June	21,240 (17,650)	1.5 (1.0)
Tyne Tees Television	June	3,380 (2,610)	5.5 (5.0)
Unidare	June	1,770 (2,000)	3.55 (3.35)
Wilkes James	June	2,000 (425)	4.25 (3.5)
Williams Holdings	June	79,000 (50,800)	4.5 (4.0)
Wilson Bowden	June	17,100 (14,500)	2.2 (2.0)
Wimpey (George)	June	45,200 (40,720)	4.0 (3.0)
WSP Holdings	June	442 (265)	0.9 (0.8)
Wyevale Garden Cent.	June	1,390 (1,060)	1.6 (1.4)

(Figures in parentheses are for the corresponding period.) "Dividends are shown net pence per share, except where otherwise indicated. L = loss. ‡ Irish punts & pence. * Net available revenue. ‡ US dollars & cents. ♦ Operating profit. † For 18 month period, including second interim dividend of 5p. ● Profit after tax.

RIGHTS ISSUES

Acale is to raise £21.2m via a five-for-12 rights issue at 85p.
CCS Group is to raise £1.4m via a one-for-2.389 rights issue.
Polly Peck International is to raise £283m via a three-for-seven rights issue at 245p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Vardy Reg is to join the main market early next month via a placing that will value it at about £30m.

FINANCE & THE FAMILY

John Edwards on the revamp of an old plan

New fund from M & G

M & G's FIRST new fund to be launched for four years, announced this week, is an unusual animal. Called M & G European Dividend, it is in fact a relaunch of an existing fund, External Investment Trust (EXIT), which is to be unitised on September 29.

Since the bulk of the existing shareholders in EXIT are M & G funds, there is no question that formal approval will not be given to the proposal that its £71m portfolio of European shares will be transferred to the trustee of the new unit trust with shareholders receiving the equivalent value of their holdings in 50p units.

Applications for units at the issue price of 50p have to be in by 6 pm on September 29.

EXIT has been managed by M & G since 1971, and was used as a vehicle for a lot of the group's funds. However, this is no longer permitted under the new financial regulations, so M & G was in a quandary. EXIT has had an excellent track record. Over the past five years, for example, dividends have more than doubled and the net asset value per share has jumped by 95 per cent. At one stage it invested all over the world, but for the past 18 months it was "Europeanised" with impressive results.

The group decided, therefore, to solve its dilemma by converting EXIT into an income-producing counterpart of the M&G European & General Fund, which aims solely at capital growth.

M & G believes that Europe is now an area which has potential to produce income growth. It will, therefore, be applying to European markets — which in the past have not been renowned for providing high income yields — the strategy that has served it so well with its UK income funds. This is to favour shares giving an above average yield which often provide good capital growth as well.

The estimated gross starting yield of 4.25 per cent on the 50p issue price is based on the average produced by the portfolio held by EXIT on July 31. To achieve this yield the fund has 25 per cent of total assets in France; 20 per cent in Holland and the UK; 15 per cent in Italy; and 5 per cent each in Belgium, Germany, Spain and Switzerland. The need to produce an above average yield will obviously affect the whole investment policy, since it cannot afford to have too many low-yielding German and Swiss stocks, for example. Nevertheless it is planned to alter the proportions as far possible to include the stronger markets.

Although a lot of extra money is expected to come in, some of the M & G funds will have to reduce their present holdings and the new trust doesn't have the advantage of starting with a clean sheet. It is already a sizeable fund so it may get off to a slow start, although European markets are performing strongly.

Income will be distributed twice a year in March and September. The new fund will fit neatly into the M &G Planned Income Portfolio scheme. The charges are the standard highly competitive level with an initial 5 per cent and 1 per cent annually. Minimum lump sum investment is £500, or a regular monthly basis with a minimum of £35.

M & G is not offering any launch discounts. But some intermediaries may give special deals by cutting the commission they receive. Colin Jackson, of Baronworth (Investment Services) in Ilford, Essex, has made a direct arrangement to give his clients discount ranging from 2 per cent for investments up to £10,000 to 2.75 per cent for investments over £50,000. He believes that the fund will be the "most exciting and best supported" unit trust launch since the October 1987 market crash.

Small company, big prospects

SMALL companies have been lagging behind the shares of big groups on the London Stock Market recently, although historically they have outperformed their bigger brethren. So GT believes the time is ripe for the launch this week of its new Smaller Companies Dividend Fund.

The emphasis will be be on selecting shares that provide income, which, GT says, will help the fund managers avoid companies based on concepts rather than sound businesses. The initial gross yield is estimated at 4.1 per cent, based on the offer price of 50p a unit available until September 29.

Minimum investment is £500, and the charges are at the lower end of the scale with a front load of 5.25 per cent and a 1 per cent annual management fee.

Another new unit trust that will target UK companies considered to be undervalued is the Royal Trust UK Special Situations Fund. It has been formed by merging three small existing Royal Trust funds with similar investment objectives: Northgate, Arbuthnot Capital Growth and Royal Trust of Canada Capital Fund.

During the introductory period, until October 31, there will be bonus units of 1 per cent for investments between £500 and £4,999 and 1.5 per cent above £5,000.

J. E.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.68	monthly	1	-	0-7
High interest cheque	6.50	6.70	5.36	monthly	1	500-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	10,000	0
90-day	9.00	9.20	7.36	half yearly	1	500-9,999	90
90-day	9.45	9.67	7.74	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	6.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue♦	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	9.98	10.45	8.36	monthly	1	2,500	0
Provincial Bank	10.27	10.77	8.62	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	11.61	9.51	8.26	half yearly	4	-	0
8pc Treasury 1992	11.35	9.25	7.99	half yearly	4	-	0
10.25pc Exchequer 1995	11.60	8.01	6.46	half yearly	4	-	0
3pc Treasury 1990	9.89	9.11	8.65	half yearly	4	-	0
3pc Treasury 1992	9.38	8.53	8.03	half yearly	4	-	0
Index-linked 2pc1992§§	8.46	7.95	7.65	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000.♦ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

IT SEEMS hard to imagine that there could still be anyone with any money left to invest in Business Expansion Schemes over the last (1988-9) tax year, given the monumental marketing efforts of the sponsors involved at the time.

However, in case you still want to invest through the scheme and haven't used up your £40,000 annual limit, there are plenty of issues which have just opened. By investing in these you can carry back tax relief for the fiscal year ending in April 1989.

Last year, the cleverest scheme of all was devised by Link Assured Homes, sponsored by Williams de Broe. For sheer ingenuity, a similar award might go to the company again for its latest scheme. The idea behind the new version, The Guaranteed Growth Scheme (notice the insurance product kind of title) guarantees growth in property values on a vacant possession basis above the purchase price at a rate of 7 per cent a year compound for six years or until earlier sale. Shareholders are also insured against falls in property values below the purchase price even if sold with sitting tenants.

Link has agreed that the housebuilders Persimmon will acquire for them new homes to let. In return, Persimmon will get any gain in compound value between 7 and 9 per cent. Any excess over 9 per cent will go to shareholders. The properties will be managed by Graham Harvey, which is also responsible for the other Link homes.

The trouble is that schemes like this cost a lot in management fees. The managers here take 2 per cent of the purchase price of each investment property in return for conveyancing and so on; in addition they charge 7.5 per cent of annual income from rents and £100 a year per property for providing valuations and such.

The insurance cover applies only to quite specific situations, such as vacant possession on sale or sale with sitting tenants providing certain conditions are fulfilled. There is, therefore, still some room for events to fall outside these categories, although it is unlikely.

Heather Farmbrough on new plans for investors

Business still brisk for expansion schemes

River Trader, the first tanker in the Short Sea Europe BES

Link is hoping to raise £17.5m and you have until October 5 to invest if you wish to carry back tax relief.

Just launched is Johnson Fry's Residential Property Special Opportunities Fund. It's strange how the names are all getting so long and complicated and sound more and more like unit trusts. Be warned: they are considerably riskier!

The Johnson Fry scheme is the latest model of last year's regional fund. Investors buy shares in a series of companies which then buy — and sometimes develop — residential properties for letting as assured tenancies.

Unlike previous versions, which raised around £75m last year, investors have no regional choice. Charles Fry, chairman, says this is because: "We didn't want to be tied to one area. This might happen if we got all our money for the north but then something interesting comes up in Wales. This year we want to take advantage of the depressed market in the south east and a less depressed one in the Midlands and the north. We hope to benefit from forced sales which will make marvellous buys."

Fry reckons that the north of England is still quite a reasonable market, but that over the next six to eight months a lot more homeowners and developers will get into trouble. "If you have cash," he says, "you're in a strong bargaining position." The minimum individual investment is £1,000. This scheme carries no guaranteed return, unlike the new Link-Williams de Broe scheme, but Fry is confident that growth rates of more than 7 per cent will be exceeded.

The second Johnson Fry scheme is called the Quality Coaching Inn Scheme and isn't an assured tenancy. It is in fact a series of ten companies, each raising £500,000. This looks like being the 1989 way of getting round the £500,000 top limit for issues for all companies other than shipping and assured tenancies; by setting up a series of prospectus issues to raise more than £500,000 in total.

For a minimum investment of £1,000, shareholders buy in to a company which will buy small coaching hotels in the south east of England. These will be run by Resort Hotels, another of Johnson Fry's earlier BES ventures. Resort is now listed on the USM and run by Robert Feld. The closing date is October 17.

Capital Ventures is offering two issues. The first, which is not an assured tenancy company either, is Bristol Commercial developments, a property development company building office accommodation near Bristol on a site near the M4 and M5 intersection. The minimum subscription is £3,000 in a combination of BES ordinary and preference shares.

The second is the latest (fourth) variation on its successful Roman Property Trust, which intends to acquire sheltered housing for letting on assured tenancies.

There have been quite a few rumblings about the sheltered housing boom running out of steam, so potential investors should consider schemes carefully.

The same warning might apply to Assured Close Care Centres (ACCC), which is seeking to raise £2m through Chancery. The idea is to let the centres to tenants under assured tenancy agreements but with nursing services available. The centres will be managed by Associated Nursing Services, a USM-quoted company. Potential sites have been identified at Falkirk in Scotland, and West Derby.

Associated Nursing Services says that it plans to acquire the share capital of ACCC after five years. Fine — providing it happens.

A more interesting development in another Chancery issue is County of Kent Developments. No prizes for guessing the arguments in favour of this one: the Channel Tunnel and the single European market. Add these to house prices in Kent, which have lagged behind the rest of the south east — in historic terms anyway — and you have a recipe to make money, or so the sponsors say.

One special feature of the scheme is the intention to invest up to 10 per cent of the money raised in homes to be used as holiday sites in northen France. This is quite a good idea, but it is a shame that in order to comply with the Inland Revenue rules, it has to be confined to only 10 per cent. There are a lot of people who would much rather have a stake in the French property market than the UK one. The minimum subscription is £2,000; the issue closes on September 29.

Neill Clerk, the Glasgow solicitors, is sponsoring another BES issue along the lines of its first public assured tenancy, Norcity.

Issue costs look reasonable, and the company has experienced property management and links with builders John Laing. This time, though, the company is looking to buy around Sheffield and Leeds.

If you live in the area and can have a good look around it might be worth doing so before the closing date of October 5. The minimum application is for 1,000 shares.

A photograph of an enormous tanker accompanies the prospectus for Short Sea Europe, which is seeking to raise a further £5m under BES, having raised £1.8m since February. The picture shows the first vessel, River Trader, which has started carrying cargo around the UK.

The argument in favour of investing is that there are opportunities to buy; there are more vessels at good prices while few people are building such large ships any more. Eventually, the argument goes, there will be a rise in charter rates and hire values.

The problem with this kind of issue is that it is difficult to attract investors' attention. It may end up undersubscribed and therefore unable cannot invest as much as it wants. It is difficult to get very enthusiastic about tankers.

Right to see accounts

I HAVE inherited a small sum from an uncle that was distributed according to the laws of intestacy. I would like to have a copy of the liquidator and distribution account but this has been refused. Have I any legal right to a copy, and if so how do I go about obtaining it. I do not wish to employ a solicitor.

■ You should apply to the person to whom Letters of Administration of the estate have been granted, pointing out that he has a duty to supply a copy of the estate accounts to you as a statutory beneficiary. If he refuses your remedy is to apply to the court, but that may be expensive.

How to cut tax liability

IN ORDER to limit the effect of capital transfer tax, now replaced by inheritance tax, my wife and I changed our property from joint ownership to that of tenants in common with equal shares. In our wills we have each disposed of our half shares in the property equally to our two sons. We have also requested our heirs (our two sons) to allow the survivor (my wife or myself) to continue to live in the property for as long as he or she wishes.

The property is at present worth around £180,000 and our other assets, mainly in the Building Society and National Savings, amount to £120,000.

Would you please comment on the present legality of the *above arrangement, its effectiveness* in reducing Inheritance Tax, and indicate any attendant problems which may arise?

■ The arrangement you have made is perfectly legal. You would obtain maximum *benefit from the nil rate band* if each will also left some £28,000 in cash to your sons.

Information on PEPs

ALTHOUGH I have been inundated with literature on personal equity plans, I am still unaware of the way in which a PEP is established.

I have always bought my own shares rather than unit trusts, and what I should like to do is buy (say) 500 shares in ICI and call that a PEP.

However my bank (Barclays) is unable to tell me if this is possible and the local Inland Revenue says that it cannot give investment advice, even though I argue that what I am seeking is not investment *advice but information* about a tax mechanism.

■ The fundamental point about PEPs is that they must be managed by a commercial plan manager, approved by the Inland Revenue. You cannot have a self-administered PEP, unfortunately.

If you want to know the full details, you will find the personal equity plan regulations in a local reference library in, for example, volume H of *Simon's Taxes*. At present (assuming that the librarian has inserted the June supplement, issue 141), you will find the PEP regulations 1986, the PEP (amendment) regulations 1987 and the PEP (amendment) regulations 1988 in division H1.2, but the PEP (amendment no. 2) regulations 1988 and the PEP regulations 1989 are still in the service section of volume H.

Notice to quit

I AGREED to let a furnished flat to a tenant in 1982 on an agreement stating one month's notice on either side and one month's rent paid a calendar month in advance.

I later gave her one month's *notice to quit* in writing. However I told her I would not enforce it until she had found other accommodation, which she did a few months later. I did not know that she had left the flat until the keys arrived by post during the first week of the month.

I claimed for this month's rent in lieu of notice. Her solicitor said that as I had given notice to quit she claimed the protection of the Rent Act. As I had terminated the contractual tenancy this gave rise to a statutory tenancy.

He went on to say that a statutory tenant is not obliged to give notice to terminate the tenancy and the mere act of giving up possession and notifying the landlord (which she did not do) was sufficient, and therefore I am not entitled to the month's rent in lieu of notice. Is he correct?

■ We think the tenant's solicitor is wrong: you are entitled to one month's rent. Refer the solicitor to Section 3 (3) of the Rent Act 1977 and the case of Boyer v. Warbey (1953) 1Q.B. 234, and insist on being paid. He is right in saying that a *statutory tenancy succeeded* the contractual tenancy, but Section 3 of the Rent Act 1977 entitles you to insist on notice for the termination of the statutory tenancy.

Query on poll tax

CAN I register for poll tax purposes at one property and my wife at another without affecting our joint election for the first property to be our main residence for income/capital gains tax purposes? Both properties are jointly owned and our intention is to avoid having to each pay two poll taxes while being entitled to only one vote.

■ *Your joint election under* section 101 (6) of the Capital Gains Tax Act 1979 has no effect either for the purposes of income tax (mortgage interest relief) or for the purposes of the poll tax (community charge).

For income tax (mortgage interest) purposes, no choice is open to you; neither is any choice open to you under the rules of the poll tax. The community charge is not strictly a poll tax (any more than inheritance tax is an inheritance tax), although the work "poll" in this context has nothing to do with the right to vote – it simply means "head."

House in Portugal

A HOUSE in Portugal is registered in the name of a limited company registered in the UK. This company has been treated as a nominee company. I am told that there should be a declaration of trust that the house is held for me as beneficial owner.

What is the wording required for this declaration and who should make it on behalf of the company? I am the sole director and my son is the secretary.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

■ You can make the declaration, but it would be wise to have your son witness your signature as secretary. The declaration should recite that the property was transferred into, and registered in, the name of the company and that you are the sole director. It should also recite that the whole purchase price was paid by you personally, and should then simply declare (for and on behalf of the company) that the whole equitable interest in the property is held by the company on trust for you in your personal capacity beneficially and absolutely.

Income from dividends

MY WIFE and I have no earned income and are not yet of pensionable age, so our total revenue is derived from share dividends. This means we are able reclaim tax credits on dividends received up to the married tax allowance of £4,375. We also try to realise capital gains to the full £5,000 exemption limit each fiscal year.

We are taking shares in lieu of dividends from some companies (which means that we lose the tax credits) and it could be that, by the end of this tax year, we will fall short of the £4,375 dividend and tax credit income total.

Assuming this to be the case, if extra capital gains (over £5,000) are realised, will they rank to offset any unused balance of the married tax allowance?

■ No. Even someone with no income at all has to pay CGT on chargeable gains exceeding £5,000. If you want to check this rule, you will find it in section 93 of the Finance Act 1988, in conjunction with section 5 of the Capital Gains Tax Act 1979, as amended.

Are you sure that it makes economic sense to take shares in lieu of dividends of UK companies? You have to weigh the loss of tax credit against the effective acquisition price of the new shares, of course.

Peter Gartland on Royal Bank of Scotland's move *into* Gibraltar

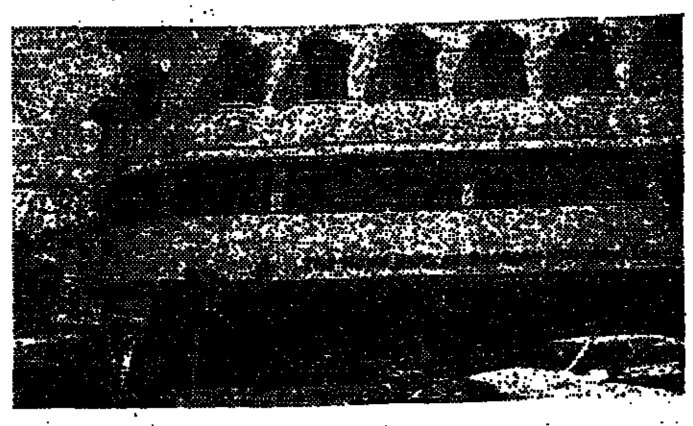
Tartan tonic for The Rock

SIR MICHAEL HERRIES, chairman of the Royal Bank of Scotland, will officially open the bank's new office in Gibraltar on Monday. The gesture will provide a much-needed confidence boost to a financial centre which had its reputation badly dented by the Signal Life insurance swindle in 1982, and which then received a near fatal body blow from the Barlow Clowes International debacle just 15 months ago.

Royal Bank of Scotland (Gibraltar) is owned jointly with Banco Santander, Spain's fourth biggest bank, and is part of a European alliance announced by the two financial services groups last year.

Royal Bank in Gibraltar will provide mortgage finance for properties in Spain and elsewhere as well as offering money market deposit accounts and high interest current accounts.

According to general manager Robin Park, the bank's main purpose will be to serve the large expatriate community in southern Spain, but, with a wide range of services on offer: "We're ready to meet the needs of local residents as well as people living in the Algarve area of Portugal," he says.



Robin Park: aiming to serve the expatriate community

The geographical position of Royal Bank (Gibraltar) makes it the first bank visitors will see as they drive across the border from Spain. Among other household-name financial services companies operating on the Rock are Abbey National, NatWest, Norwich Union, Hambros Bank and Peat Marwick. Barclays Bank has been in Gibraltar for more than 100 years.

Distinguished though the corporate company may be, there is no doubt that Gibraltar's reputation as a financial centre was badly tarnished by events in 1988. Such was the position of Barlow Clowes International as a pillar of the *local financial community that* its then marketing manager accepted an invitation to write an article entitled *"An insight into the gilt market"* for Gibraltar's official Financial Services Handbook.

While Gibraltar's reputation was clearly dented, the effect on business of the Barlow Clowes scandal is more difficult to assess.

Ken Cappie-Wood, managing director of Coopers & Lybrand in Gibraltar, concedes that Barlow Clowes did have an adverse effect on Gibraltar's ability to attract funds but that "the more discreet side" of the financial services industry, such as tax planning, has continued to grow healthily.

Now, at long last, Gibraltar is planning to introduce measures to provide a financial services framework more in keeping with its position as an associate member of the European Community.

Two separate pieces of legislation – one to set up a Financial Services Commission and the other, a Financial Services Bill to provide a regulatory framework – are currently at an advanced stage of consultation between the Gibraltar authorities and the financial services industry.

The Financial Services Commission will play a watchdog role similar to that of the UK's Securities and Investments Board. The purpose of the Financial Services Bill is to regulate investment business including the promotion and operation of collective investment schemes, such as unit trusts.

Practitioners will need to be licensed and the Bill envisages regulations covering not only the giving of financial advice but also such matters as financial advertising and cold calling. The legislation will give the Gibraltar authorities powers to investigate the affairs of licence holders suspected of carrying on investment business "in a manner prejudicial to the public" and to revoke licences.

Joe Bautista, acting financial and development secretary, denies that the latest legislative moves are in response to Barlow Clowes but concedes that the affair did spur action on different lines, especially in relation to financial services firms handling money belonging to clients. "We want to show the world we're in earnest," he says.

Bautista is not prepared to commit himself to a timetable for the introduction of financial services legislation. Much will depend on recruitment of staff, particularly the Financial Services Commissioner.

Cappie-Wood argues that the proposed legislation is a step in the right direction and represents a positive step in favour of Gibraltar's credibility.

It is certainly needed. Gibraltar's financial services industry currently employs 900 people out of a total workforce of 12,000. The number of people employed in financial services has virtually doubled since 1985, when the border with Spain was reopened.

Earlier this year the UK's Ministry of Defence announced plans to withdraw all or a major part of the 1,800 strong presence of British Forces personnel. *Once* that happens, Gibraltar will need to rely even more heavily on financial services. With such dependence on a single sector, the Rock's economy could not afford another financial scandal.

Joe Bossano, Gibraltar's *chief minister*, has never made any secret of his ambition to expand Gibraltar's role as a financial centre since taking office in March 1988. To date, that ambition has not been matched by the necessary legislative infrastructure which is now taken for granted in centres which constitute Gibraltar's natural competitors, such as the Channel Islands, Isle of Man and Bermuda.

■ *Peter Gartland is editor of* The International, *the FT's magazine for expatriates.*

Town & Country looks to the East

TOWN & COUNTRY Building Society has appointed a mortgage agent, International Mortgage Plans, in Hong Kong as the first step in a push by the society to cater for the growing number of UK expatriates who wish to buy properties in Britain to let out while they are overseas.

There has apparently been an upsurge of interest from expatriates in buying houses in the UK following the 1988 Housing Act, which came into force this year. This makes it much easier for landlords to regain possession at the end of a tenancy, providing they can show the property is required for their personal residence.

Stephen Dilworth, of Town & Country, said the society had received "a flood of enquiries," since its expatriate mortgage scheme was one of the most competitive. Unlike many other societies, they did not charge a premium on expatriate mortgages; instead they offered a discount of 1.05 per cent for the first year, reducing the current rate to 12.45 per cent. The maximum advance under the scheme is 95 per cent of the purchase price or valuation, whichever is the lower.

Dilworth said that the appointment of an agent in Hong Kong was aimed at providing an on the spot mortgage broking service for expatriates there. It was planned to appoint further agents in other countries to give a similar service to prospective borrowers.

■ Halifax building society is offering investors resident outside the UK a new offshore deposit account called Halifax Fixed Rate International. For a minimum investment of £10,000, investors can receive 12.75 per cent over a fixed term of 12 months. The account is only available through Halifax's branch on Jersey.

Interest can be paid either monthly or on maturity after 12 months. No part withdrawals are permitted, but funds can be withdrawn early at a cost equivalent to 60 days interest. Halifax has been offering a variable rate offshore account for a year, and plans to introduce further offshore products, with different terms and maturities, over the next year.

John Edwards

At long last, the Co-op unit trust

BETTER late than never. The Co-operative Insurance Society (CIS), one of Britain's largest insurers with more than £6bn under management, has decided to go into the unit trust market.

It is launching two UK trusts, a growth and an income fund, plus the option of using one of these for a personal equity plan.

CIS says it has become aware of growing demand for unit trusts and unit-linked products from its 4m customers. The funds, which will concentrate on investing in high-quality UK shares, will be backed by a sales force of 7,000.

There is a 1 per cent bonus allocation for investments of over £2,400 (which excludes the PEP option) during the three-week offer period *starting on* September 25. The minimum investment is £500.

Charges are on the high side, though, with a 6 per cent initial front-load cost and an annual management fee of 1.25 per cent.

John Edwards

Currie puts faith in Japan fund

MARTIN CURRIE, the Edinburgh-based investment house, has decided the time is ripe to add a specialised Japan fund to its range of unit trusts.

The company believes that the underperformance of the Tokyo stock market this year, compared with other major centres, is just a temporary setback and that the situation will soon change significantly.

Michael Thomas, manager of the fund – launched this week – has 13 years' experience in the Japanese market and is confident that his contrarian view of an upturn will turn out to be right.

He says that the Tokyo market has been held back by the weakness of the yen and by the nation's political uncertainties, but argues that any slowdown in the Japanese economy will mean that the giant investment houses are forced to divert more money into the stock market, not less.

His investment team will aim at picking a limited number – possibly fewer than 40 – medium and smaller companies that have underperformed for most of the *year and should, therefore,* gain most from any inflow of money. On this basis, the fund does not sound the kind that might be suitable for widows and orphans.

During the three-week launch period until September *21 there will be a fixed price* of 50p a unit. The minimum investment is £1,000 and the charges are at the bottom end of the scale: an initial (front load) 5.25 per cent and an annual management fee of 1 per cent of the fund's value.

J. E

MINDING YOUR OWN BUSINESS

Not just toying with success

Lydia van der Meer

Martin Disler: hoping for a happy Christmas with his toy-kit

TOY-MAKER Martin Disler, 34, is an unusual sort of small businessman by the standards of the times.

He has invented something, secured financial support, refined the design for series production, managed the design and making of the necessary jigs, dies and tools, negotiated contracts with specialist manufacturers to produce the components he needs, arranged central assembly and distribution, and, finally, has planned the necessary sales and marketing campaign to ensure that his product will catch the Christmas trade in Britain and abroad this year.

Frankly this is not the way in which 99 per cent of people embarking upon the adventure of starting their small businesses behave. Indeed, neither are they expected to behave in such a way. Conventional wisdom is that most entrants into the small business world will be doing something in the service sector, where skills are all-important, in niche markets comparatively easy to carve out if you are expert enough at your speciality, and where capital and production facilities are far less important than a capacity for hard work.

The business of turning concepts and doodles into fast-selling lines on the mass market is usually left to old manufacturing hands running big companies who can assess, manage, and limit their risks on a new product without having to put family possessions in hock.

Disler chose the unusual – even dangerous – path of making and selling his own invention primarily because he was, and continues to be, inspired by a dream. He began to study architecture after arriving in England from Zimbabwe in 1976. Before long his portfolio of drawings contained sketches for a toy which intruded into his thoughts during every day of his course. This was to be no ordinary toy. It was to be a kit of parts to provide a child with many things its heart could desire at a reasonable price. By pulling, pushing, and clipping parts together, it would make a tricycle, wheelbarrow, cart, pram, wagon, or a space vehicle.

He and Fred Diaz, a product designer, took the idea as far as some working drawings to make parts, and at one stage they were so carried away by the concept that they had plans for a kit to make 30 different robust toys. But the papers went back into Disler's portfolio, to be all but forgotten when he established his own commercial design and projects management firm in London concentrating upon styling galleries and company offices.

Three years ago he began to think about his toy concept again. Soon it began to dominate his thoughts to the point that he set off for the US to try to interest the big toy–makers in the idea. Six weeks later, after staying in an endless succession of US hotels on his coast–to–coast mission and running up an uncomfortably big debt on his credit card, he had to admit that he had not made any headway. The US companies talked in terms of years of research and development and long lead times.

He arrived back in London, where his design business needed his attention, to be greeted by a friend: "Have you been off playing with your toys?"

Life was getting tough for Disler as he persisted in the hope of getting his invention into production. Soon he was living in his rented office and had sold his car. "I felt like a 'no hoper' and was wondering whether to go back to Zimbabwe," he admits.

Disler had by then focused his product as "a large scale building system" with 33 parts packed in a yellow box the size of a dustbin, and he had called it Dizzo. He had also spent £70,000 on it without any return.

Then things started to happen quickly. An investment company, Rosebank Investments, a Luxembourg company with a London office, decided to back him with a first tranche of £250,000. Tests of the toy were made with 200 children. Each of the 33 pieces in the design were tested separately for strength and safety. Then Disler set off on a world trip to find manufacturing facilities. After trawling the Far East and North America during 1987 (he visited 160 factories) he came back and chose British sub-contractors.

Meanwhile ICI was advising on the use of various forms of plastic to make the parts – including filled polypropylene, nylon, and acetal high-impact material. The production version of the kit uses seven different types of plastic.

Dizzo is now being assembled and packed at a Leicester warehouse. Disler's target to make 20,000 units by the end of this year and as many as 100,000 next year. The first ones are selling at £89.95 for a kit.

Tooling has cost £250,000, and the backers have raised their investment by a further £600,000 to cover the start–up manufacturing. Disler has seen his stake in the project diluted below the 50 per cent he originally hope to retain. But he agrees that he could not have done it without them.

A further stake of £200,000 is likely to be made available shortly to finance a marketing campaign. Disler is now confident that, 13 years after his first doodles, his toy kit will be in the shops in quantity for the 1989 Christmas trade.

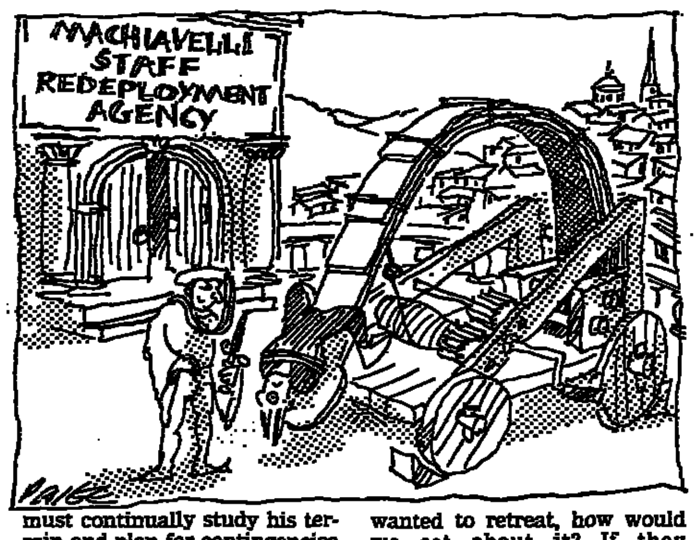
Dizzo Toys, 17 Wolsey Mews, Kentish Town, London NW5 2DX. tel 485 2270.

Roy Hodson

The successful conduct of business rests upon ceaseless psychological warfare, as people starting their own firms soon find out. A good many management consultants make livings today by teaching how to join the battle.

But have the modern experts very much that is new to tell us? The Florentine Republic civil servant and diplomatist Niccolo Machiavelli thought it all out in his own acerbic fashion nearly 500 years ago, as George Bull, his translator, relates.

Machiavelli had it right



THE SHARPEST business brains of the Renaissance were to be found in Florence, so it is not surprising that this city's famous Secretary, Niccolò Machiavelli, wrote a timeless guide to effective management. *The Prince* was, of course, a book meant for rulers. But its precepts are perfectly applicable to the actions of captains of industry or budding entrepreneurs.

Written for princes and would–be princes nearly 500 years ago this 30,000-word handbook reads as freshly and cogently as it did in the early 16th century, chiefly on account of its shrewd psychological insight into human behaviour: the behaviour of courtiers, allies, clients, staff, partners, suppliers, and customers.

Machiavelli said that people starting new ventures (princes founding new states) make the approach on wings. He added: "The problems start when they alight."

The incisive pages of *The Prince* yield a series of maxims which anyone starting a business would do well to learn by heart. They are usually recognised as startlingly valid by old corporate warriors – especially if they have suffered disasters during their careers through disregarding them.

Several of them fall into the category of sound, strategic advice. When a ruler seizes a state, Machiavelli writes (in modern terms, when someone takes over an existing business) he must do the hard things straight away. "The new ruler must determine all the injuries that he will need to inflict. He must inflict them once and for all, and not have to renew them every day. In that way he will be able to set men's minds at rest, and win them over to him when he confers benefits."

From the start, the new ruler must continually study his terrain and plan for contingencies in the event of attack. Above all, he must never take his mind off war, even when at peace.

The Achaean leader Philopoemen, when in the country with his friends, "would often stop and invite a discussion: if the enemy were on top of that hill, and we were down here with our army, which of us would have the advantage? How would one engage them without breaking ranks? If we wanted to retreat, how would we set about it? If they retreated how would we pursue them? The ruler must never take things easy in times of peace, but rather use the latter assiduously, in order to be able to reap the profit in times of adversity . . ."

The best piece of strategic advice in all the pages of *The Prince* is simplicity itself, and perhaps therefore ignored with stunning frequency in modern business and politics alike. It complements the advice that you must have a business plan and a "think–tank" (even if it is a think–tank of just one).

It is: *never to forget that times change, and that policies must change with them.*

This is how Machiavelli puts it. "Some princes flourish one day and come to grief the next, without appearing to have changed in character in any other way . . . I believe that the one who adapts his policy to the times prospers, and likewise that the one whose policy clashes with the demands of the times does not. . ." This explains why prosperity is ephemeral: because if a man behaves with patience and circumspection and the time and circumstances are such that this method is called for, he will prosper; but if time and circumstances change he will be ruined, because he does not change his policy."

That is obviously highly relevant advice for prime ministers and company presidents. But it is vital also for founders of new businesses. Like Machiavelli's rulers, they must learn early on in their business careers the need for tactical adaptability, decisiveness, and boldness.

Adaptability has been touched upon. Decisiveness Machiavelli recommends by citing the bad example of the Emperor Maximilian, who was too buttoned–up and too easily diverted from his aims, so that, "whatever he does one day is undone the next, and what he wants or plans to do is never clear, and no reliance can be placed on his deliberations."

Boldness in turn is vital for success, since mens' actions are half governed by their own skills and prowess and half by Fortune (as any successful tycoon will confirm). And Fortune, Machiavelli says in his *macho* way, is a woman who must be beaten to give her best.

More shocking still, Machiavelli would advise the business novice to learn from his Florentine experience of the wicked world two hard things: that brutal measures are often needed for success and that they must be taken with one's final aims in view; and that few people are to be trusted.

"One can make this generalisation about men: they are ungrateful, fickle, liars, and deceivers; while you treat them well they are yours . . . but when you are in danger they turn against you. . . the bond of love is one which men, wretched creatures that they are, break when it is to their advantage to do so; but fear is strengthened by a dread of punishment which is always effective."

Millions of words have been written on whether Machiavelli was immoral or amoral in his advice as he often sounds. *The Prince* is a complex little book of ideas, packed like a stick of dynamite with explosive political maxims, and also, for today's businessmen, with very sensible and practical counsel – including how to avoid flatterers and rely on one's own resources.

Studied early on it will at least sharpen the wits. Well heeded, it will help build success.

■ *George Bull's Penguin Classics translation of* The Prince, *by Niccolò Machiavelli, has sold more than 1m copies.*

R. H

IN BRIEF

FRANCHISING has never caught on in Britain to anything like the extent of its penetration into the retail business life of North America and parts of continental Europe. This means that Britain tends to be seen by enthusiastic franchisers as a great, untapped market.

A trade mission of about 15 US franchisers looking for master licensees or joint venture partners in Britain will visit the US embassy in London on September 25 and 26. From carpet cleaning to the permanent removal of body hair, they will be offering entrepreneurs a chance to shine . . .

* * *

"Biz op" is the flavour of the season in the US. It stands for business opportunity, and is seen by its adherents as a neat advance upon franchising.

Business opportunities tend to have some or all of the following characteristics. The product, equipment, or service which enables the purchaser to start a business is offered for sale or lease. The seller offers the purchaser some assistance in securing locations or providing the product. The seller offers some promise that the the purchaser will be able to make a profit by marketing the product. The seller provides a marketing programme.

The whole concept is to give the people taking up the "business opportunities" more freedom to develop their own businesses, albeit at a slightly higher personal risk.

The US magazine *Entrepreneur* sums up the movement thus: "Selling your business concept as a business opportunity permits the purchaser to modify the original concept by adding products or services." However, it warns: "Unlike establishing your business as a franchise, you cannot prevent the people who purchase your business opportunity from diverting from your preconceived idea of how things should be run. As a result the business opportunity seller will have less responsibility – but purchasers may have a higher failure rate than franchisees."

DIVERSIONS

Failing to protect and cherish the English heritage

A quango established to safeguard and promote historical sites is proving a monumental disappointment, maintains ***John Martin Robinson***

ENGLISH HERITAGE, created to provide "the most powerful and creative stimulus to improved preservation and presentation" of historic buildings, has failed to live up to expectations.

The semi-independent quango was established by the National Heritage Act in 1983 after a 1982 Department of the Environment consultation paper *The Way Forward* recommended the "fusion of some of the existing heritage bodies into a single executive and advisory agency," to provide a "central focus for our heritage of monuments and historic buildings."

It was originally the brainchild of Michael Heseltine, when he was Secretary of State for the Environment. He saw it as a way of reducing the staff in his over-sized department by hiving off a 1,000 officials, while at the same time creating a more inspired and dynamic national heritage agency.

The amalgamated agency came into operation in April 1984, responsible for most of the Government's historic buildings functions. However, it lacks the all-roundness and scholarly edge found in older bodies such as the GLC Historic Buildings Division. Likewise, the Historic Buildings Council had a commitment to historic buildings that its successor lacked; and the English Heritage bureaucracy is, if anything, more sclerotic and inefficient than ever.

The seeds of failure were sown at the start, with an inherent conflict between English Heritage's responsibilities to advise the Secretary of State on conservation policy and its role as an "independent" agency.

The nature of its initial recruitment was not calculated to bring in the enthusiastic experts which the new organisation so badly needed if it was to become "a centre of excellence." Nor did the Government intend that English Heritage should have a positive say in national preservation policy. "The Government do not intend to relinquish those responsibilities and will not do so."

In practice this has meant that a more streamlined historic buildings body has continued to function within the DoE and has gradually entrenched itself in the face of rivalry from the larger, but flabbier, English Heritage. This alternative agency is called the Heritage Sponsorship Group and it retains control over such issues as the listing of historic buildings. It frequently acts contrary to the advice of English Heritage.

An example was the proposal to list the red "K6" telephone kiosks designed by Sir Giles Gilbert Scott. English Heritage jumped on to this bandwagon and put out a lot of self-congratulatory publicity claiming that it had saved a much-loved feature of the English scene.

In fact, listing the kiosks was largely negated by the DoE's decision to limit the number of kiosks to be reserved. Although a few were kept in prominent locations in London, most of those in the country have been destroyed. Today there is hardly a kiosk left, not even in historic towns such as Oxford or Appleby.

In some ways English Heritage is nothing more than a vast Potemkin Village, while the duplicate Heritage Sponsorship Group at the DoE is the real power in the official historic buildings world. It is perhaps significant that English Heritage publishes the glossiest and most expensive annual report of any quango — and the one with the least content.

English Heritage has made the worst of what might in any case have been a bad job by evolving an over-complicated committee and management structure. At the top is a chairman, Lord Montagu, now into his second term and chosen for his undoubted enthusiasm. He is, however, little more than a figurehead.

The other commissioners have been edited out over the years. Now there is only one conservation architect, Donald Insall, and only one architectural historian, John Newman, among them.

Under the commissioners are various "expert" committees, but they are purely advisory and have little real power, as indicated by the way their members are swamped by the large numbers of officials at committee meetings. Any member of these committees rash enough to show signs of independent judgment is not kept on for very long.

The morning after: debris on the grounds of historic Furness Abbey, Cumbria, after an English Heritage promotion

The salaried staff of English Heritage comprises 1,400 people, largely divided according to function rather than into multi-disciplinary regional groups which would have been the most effective organisational structure. The model adopted is based on the Imbucon Report, a costly exercise by outside business consultants which came into effect on April 1, 1986.

'In some ways English Heritage is nothing more than a vast Potemkin Village, while the duplicate Heritage Sponsorship Group is the real power'

This introduced counter-productive tiers of civil service "line-managers," including a redundant non-professional "head of conservation," and divided the organisation into three principal sections: Central Services, Properties in Care, and Conservation, which are in turn sub-divided.

Central Services is responsible for personnel and administration, and is practically unnecessary as the other sections all have their own internal administrative officers and, in the last resort, recruitments, pensions and the like are organised externally by the Civil Service.

Properties in Care is responsible for the management and presentation of more than 350 monuments and buildings in public ownership, or "guardianship," mainly castles and abbey ruins. It was always a main objective to transfer these to the new agency to make them more attractive to visitors and exploit their educational and economic potential along lines successfully pursued by private owners of country houses.

Some people feared that this would lead to excessive commercialism and vulgarisation and they have not been proved wrong, as the proliferation of bogus historical entertainments demonstrates. The condition of the sites on the morning after one of these events lends a new meaning to the term guardianship.

The marketing division of Properties in Care, responsible for "presenting and interpreting" the properties, is the Achilles' heel of English Heritage. It pursues a single-minded programme of relentless trivialisation, undermining the work of the Conservation Group.

The Conservation Group is potentially the most important part of English Heritage. It is made up of five divisions — Historic Buildings, Historic Areas, Ancient Monuments, Archaeology and the London Division, the former GLC Historic Buildings Division, transferred after the GLC's abolition — and in theory is "a body of highly skilled and dedicated people who are concerned with protecting and preserving the architectural and archaeological heritage of England."

In reality, it has never lived up to its potential. Many of the best people have left disenchanted. In the five years of English Heritage's existence there has been uncontrolled erosion of original architectural detail of listed buildings everywhere outside London. One local conservation officer claims: "Ninety per cent of listed building consents for Grade II buildings are damaging."

This is painfully obvious to anybody who lives or travels outside London. There is hardly a cottage or farm in the Midlands, north, or west with any authentic door or window joinery left. English Heritage has done nothing to tackle the deleterious effects of "consumer affluence."

It could and should have taken a lead, issuing advice to local planning authorities, publishing (cheap) guidance leaflets and devising watertight standard conditions for listed building consents.

'If the bureaucratic superstructure were to be dismantled it might yet prove possible for the constituent parts to play an effective role'

The lack of grip resulting from inchoate organisation is demonstrated by the paucity of detailed knowledge about historic buildings in the country at large.

English Heritage has not even compiled accurate figures of the numbers of listed buildings in England. It frequently states that there are "about half a million" listed buildings in England, but this is based on listed entries rather than individual buildings. For instance, Bedford Square in London is represented by one list entry although it comprises 52 individual Grade I houses. The true statistic for listed buildings in England is more like a million.

This lack of information on the number and distribution of historic buildings is matched by an inability to monitor the effect, if any, of listed building controls. Ignorance of the patterns of change as they affect different groups of building makes it difficult to use effectively the resources available, because the most valuable building types are not targeted.

Apart from the London Division, which inherited statutory powers from the GLC, English Heritage is limited in the control it can exercise over listed buildings, even in the case of demolitions or alterations to Grade I and II buildings which must be referred to it. In the last resort it can only recommend call-in by the Secretary of State, but this is very much a sledgehammer to crack a nut.

The great majority of listed building applications are acceptable in principal but need careful revision in detail. Outside London there is no machinery for achieving this. But even with the limited powers of negotiation available to it, English Heritage's practical conservation achievement falls well below what might be expected of an organisation of its size and resources — it has an annual budget of £70m.

In 1987-88 (the last year for which statistics are available), out of 2,454 listed building applications formally referred to it, English Heritage recommended only 46 for call-in by the Secretary of State. And in the same year, of 10,500 planning notifications affecting the setting of listed buildings or the appearance of conservation areas outside London, English Heritage only commented on 350.

This shortfall between substantial resources and limited achievement is partly explained by allocation of staff. Of the 1,400 people on the payroll, fewer than 70 are professional officers (archaeologists, historic building inspectors and architects) travelling the country monitoring listed building work and maintaining contact with owners and local authorities.

The only way to preserve historic buildings is by unrelenting, detailed, on-the-spot supervision. English Heritage has generally proved itself incapable of providing this. Most of its energies have been dissipated in unproductive internal paper exercises such as corporate plans and staff grading reviews.

The most positive plan for the future preservation of historic buildings in England would be for the Secretary of State to terminate this expensive and largely useless quango. If the bureaucratic superstructure were to be dismantled it might yet prove possible for the constituent parts to play an effective role.

Why not hive off Properties in Care to a genuinely independent commercial body, if that is what the Government wants, where unfettered marketing for tourism would be distinct from, and would not undermine, the nation's official conservation policies?

Listing is already done within the Heritage Sponsorship Group, as is advising the Secretary of State on listed building matters. Such scholarly information on buildings as may be required could easily be provided by the Royal Commission on Historic Monuments, a separate body.

As for grants, there is a strong argument in the present economic climate for discontinuing those to private owners and concentrating public funds on the repair of historic churches. The most efficient way of administering such church grants would be by allocating a lump sum to the Council for the Care of Churches (Church of England) and the Historic Churches Preservation Trust (other denominations) for distribution.

The London Division, with its traditions based in local government, would be better off as an independent body answerable to, and funded by, the London Boroughs Association. The arguments for "a single executive and advisory heritage agency" have been proved false.

■ John Martin Robinson, an architectural historian, resigned from English Heritage in March because he believes the organisation is failing to achieve its aims.

Let the glades be grown anew

Robin Lane Fox *makes a plea for more tree-planting by the public*

ADMITTEDLY, it was Somerset. Wells Cathedral lay at the foot of the hill; beyond stretched the wetlands of the inland sea which had once spread round Glastonbury; there was not a ploughed field in sight. It is a view which makes anything brighter in life, but here I was, standing under a sizeable oak which was only 20 years old. Silver Maples flapped their pale green wings in the breeze, over 20 ft high and younger, even, than the oak tree. The owners were deploring the drought, but the grass was still green and there were signs of young growth on the trees and shrubs. Most of us, meanwhile, had been living with brown skeletons among anything which we planted before the last proper rain in April.

The view, the growth-rate, the greenery: they are an encouragement to plant trees even if time is creeping up on you. Half a mile up the hill from Wells Cathedral, the encouragement is open to the public; at Milton Lodge, off the old Bristol Road, the garden and its small arboretum had been admitting visitors every afternoon this summer.

In the morning, you can admire the west facade of Wells Cathedral, newly restored after £2m of valiant fund-raising; then you can turn up the hill on the A39 and in the afternoon, pass from the high Middle Ages to green Georgian England, rounding off with a flourish of Edwardiana and modernity in the terraces, yew hedges and specimen trees of the Lodge itself. These tours across the ages are good for the imagination, passing from one to the other quickly without a curriculum or a fact-sheet. They are the landmarks in my mental map of English history, the bits which stick and round which the rest fit.

In the mid-18th century, the Tudway family began to plant this green glade. There was sugar and probably some slavery out west to underpin it: nowadays there are limes so vast that they scare you from planting them for posterity, oaks which tower like pinnacles and hardly a conifer in sight.

When this small arboretum began, men of letters were planting natural walks and vistas all over England. Most of them have been destroyed, but at Wells you can walk round the upper pathway of a survivor, viewing the trees from a vantage point and coveting the mown walks of amorous green. The small valley has remained in the same family, whose heirs have planted more, especially in the late 1960s.

It is extremely difficult for gardeners to guess the scale and effect of a tree which they choose in a nursery. This small arboretum is no botanical garden, but it did make me think what certain varieties can do for us. Without sugar or slavery, a young Malus Hupehensis has grown heroically, reaching 20 ft or more of ornamental flowers, fruit and quality in less than 20 years. It is one of the crab apple family, many of which develop into curious shapes. Once you have seen a contented example of this variety you can be confident that it does not weep, arch or stand bolt upright. It grows into a pleasant companion, like the Turkey Oak in the upper garden. This variety, Quercus Cerris, grows rapidly even outside Somerset, refuting the notion that oaks are only for our descendants whom we may, by then, have poisoned out of existence.

For most of us, trees have the time-scale of pensions. It is not only that they have the habit of crashing simultaneously. They are both things which we know that we ought to have started sooner: when we do start them, we spoil them by moving around; in middle age, we settle down to take them seriously, feeling that there may be only 20 years to go and that we may see nothing as a result.

At Milton Lodge, the upper part of the arboretum has an actuarial time-scale, having lasted in the same family for two centuries and developed a few great survivors. Its lower slopes and the gardens beyond it have been improved while most of us have been chasing our tails. Already, in mild, damp Somerset, the Tulip Tree has reached a respectable span; the Davidia has started flowering with its white pocket handkerchiefs and the silver poplars already need remedial surgery. In 20 years, the results show. Although the Silver Maple, acer saccharinum, is fragile in a high wind, it is a wonderfully quick tree for anyone who wants height in a hurry.

I was particularly impressed by the progress of the Thorns. Their family, the Crataegus, suffers by being classed as street trees or muddled with common whitethorn. The best of them are very much better and at Milton Lodge you can see what two of the best will do. The glossy-leaved Crataegus Prunifolia is a tree with presence after less than 20 years. It develops a broad, formal head of branches; its leaves colour late in the autumn; its berries are bright and in mild years it is almost evergreen. I think I prefer it to the better-known lavallei, whose fruits are even brighter. At Milton, this form is remarkably tall after two generations in the family: to control it, you can clip it lightly when young and use it as a small formal avenue.

The Turkey Oak, the Malus, these two Thorns and the Silver Maple would not appeal obviously to gardeners who could only judge by young trees in leaf on a local nursery. To choose them you need to see developed specimens. Nowadays, most local councils will offer grants of up to half the cost for managed plantations of broadleaved trees in the landscape where visitors, in theory, can view and enjoy them. Usually they are supposed to be native trees, but you can stretch the definition of "native" without the administrators being much wiser.

I sense from the administrators' eager correspondence that takers, at least in my home area, are still not over-abundant. Could we not imitate more of these arboretums in our changing era? It is now a public service to stop land being farmed; councils will even finance the tree-planting. The time is ripe for a spate of small, private tree-glades, giving pleasure to visitors after 10 to 15 years and developing, if we behave ourselves, into Wellsian gardens over the next two centuries.

Chess

Tough contest

AT THE 1984, 1986 and 1988 chess olympics the Soviet Union won the gold medals, England the silver; so the presence of six USSR grandmasters at Lloyds Bank 1989 — the largest Russian entry to a British individual tournament — set up an intriguing contest.

The Soviet visitors emerged narrowly ahead at the finish, with five of their six in the top 20. Leading scores were Azmaiparashvili (USSR) 8½/10, Rogers (Australia) 8, Chandler, Hebden and Sadler (England), Chernin and Smyslov (USSR), Thipsay (India) and Wojtkewicz (Poland) 7½. Those on seven points included Bronstein and Smagin (USSR), British champion Michael Adams and world semi-finalist Jonathan Speelman.

This was the 13th in the annual Lloyds Bank series. Played in excellent conditions at the Cumberland Hotel, London, it attracted a record entry of 240. Among a contingent of 50 British juniors awarded Lloyds Bank scholarships to take part, Richard Tozer, 19, almost reached a GM norm.

Besides the USSR v Britain battle, there was a significant race for the under-21 trophy incorporated in the tournament.

Since Michael Adams, the world's youngest GM at 17, and Matthew Sadler, the world's youngest male IM at 15, emerged as our two best talents, the competition between them has sparked a series of national age records. Adams has monopolised the limelight this summer, but Sadler took his chance at Lloyds Bank when his final-round victory over a grandmaster was among the best games of the event.

White: IM Matthew Sadler. Black: GM Julian Hodgson. English Opening (Lloyds Bank 1989).

1 d4 d6 2 c4 e5 3 Nf3

The queen exchange 3 dxe5 dxe5 4 Qxd8+ is harmless, while if 3 d5 f5; so White transposes to a different system where he plans to occupy the central dark squares.

3 ... e4 4 Ng5 f5 5 Nc3 Nf6 6 h4.

Played to regroup his knight to f4 without it being dislodged by g5.

6 ... c6 7 Nh3 Na6 8 Bg5 Be7 9 e3 Nc7 10 Nf4 0-0 11 Be2 Ne6 12 Qd2 Nxf4 13 Bxf4 Ne8.

This and Black's next are inconsistent; he threatens the h pawn, then decides it is too risky to take. Better is 13 ... a6 at once, using the knight to slow down White's K-side advance.

14 0-0-0 a6 15 f3 b5 16 g4! d5.

Here 16 ... exf3 17 Bxf3 fxg4 18 Bxc6 Rb8 may be a better practical chance; White then controls the centre but Black has some counterplay against the king.

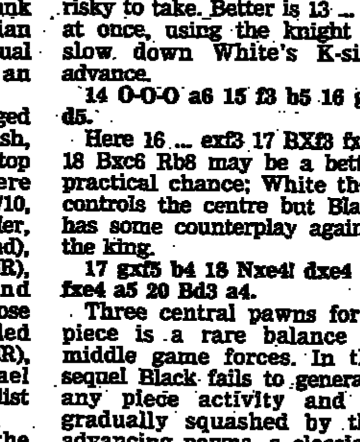
17 gxf5 b4 18 Nxe4! dxe4 19 fxe4 a5 20 Bd3 a4.

Three central pawns for a piece is a rare balance of middle game forces. In the sequel Black fails to generate any piece activity and is gradually squashed by the advancing pawns, a classical strategy echoing the "Pearl of Zandvoort" 26th game of the 1935 world title match which virtually clinched Euwe's victory over Alekhine.

21 Bg3 Nf6 22 Qe2 h5 23 e5 Ng4 24 Rdf1 Qa5 25 Kb1 Ra7 26 Rf3 Bd8 27 Rhf1 a3 28 b3 Re7 29 c5 Kh8 30 Bc4 Qa7 31 e6 Ree8 32 e4 g6 33 fxg6 Qg7 34 Rf7! Rxf7 35 gxf7 Rf8 36 Bd6 Qxd4 37 Bxf8 Bf6 38 Rxf6 Nxf6 39 Bd6 Resigns.

PROBLEM No. 789

BLACK 2 MEN



WHITE 4 MEN

White mates in three moves, against any defence (by H. Mattison).

Black is down to just two possibilities, Ke5 and e2, but the problem is harder than it looks. White's first move sets up an obscure threat.

Solution Page XXI

Leonard Barden

Ballerina: a good sport indeed

Arthur Hellyer *on a new apple tree that is one of nature's most useful mutations*

WHEN Ballerina apple trees were displayed to the public for the first time at the Chelsea Flower Show last May there was a promise that young trees would be available in late August. All four varieties shown at Chelsea are now in my local garden centre, some of them carrying good crops of nearly mature fruit and attracting a lot of attention. This distinctive tree is one of the success stories of horticultural breeding in the past 15 years or so.

The full story begins in 1960 when a commercial fruit grower in British Columbia noted that a tree of the very old but still popular variety McIntosh was behaving in a very peculiar way. It was producing branches with very short side growths, like those formed after summer pruning of trained apple trees — but this orchard tree had not received any special treatment. It had, in fact, undergone a natural mutation — what gardeners call a sport — and it became clear that this was a permanent change which could be propagated by grafting, cuttings or any other vegetative means.

This new variety was named Wijcik and though it has not proved of any commercial value it has been of great use to breeders. The change in branching habit was controlled by a single dominant gene, so in any batch of seedlings resulting from a cross between Wijcik and other apples the breeder could expect to find about half the progeny with the short branched habit. It became clear that it should not be very difficult to produce a whole race of apple trees needing little or no pruning.

Work on this project began in earnest at the Institute of Horticultural Research, East Malling, Kent, in 1975 when Ken Tobutt was appointed to the fruit breeding department. He not only crossed Wijcik with existing dessert and culinary apples but also with apples used as root stocks and with ornamental varieties. There was reason in all this: the fine apple varieties would expand the range of flavour, fruit colours, fruit sizes and seasons of use of these naturally short stem varieties; the ornamental parents might give them beautiful flowers or fruits and the root stock parents might make it possible to propagate some of them very inexpensively from cuttings or layers.

Progress has been made in all these directions but the East Malling team is not yet ready to launch Ballerina apples (the attractive name they have chosen to cover all members of this new race) grown on their own roots. What are on sale now are Ballerina varieties grafted on to conventional root stocks chosen to suit them.

Each of these trees will grow straight up, with a single main stem producing side shoots only a few inches long, such as one would expect to create by regular pruning on a trained cordon tree. There is no need for the gardener to do anything except stake the tree or make it secure to a fence or horizontally strained wires; to spray it against pests and to feed it and water it as necessary. Trees can be spaced three feet or even less apart and in orchards it will be possible to achieve a very high density if cultivation and harvesting problems can be solved. But at the moment it is the amateurs who are reaping the first benefits.

Ballerina apples: a fruitful mutation

The four varieties released for sale are Bolero, Polka, Waltz and Maypole. The first three are dessert apples, the last an ornamental apple with bronze coloured leaves, handsome carmine flowers and purple-red fruits which look attractive and make good crabapple jelly. Bolero, the offspring of a cross between Wijcik and Greensleeves, is a green apple ready for use in September. Polka has red and green fruits ready a week or so later and Waltz has red fruits which can be kept in a cool place until Christmas or even later. Both these varieties were produced from a cross between Wijcik and Golden Delicious.

Present price appears to be around £17.50 per tree but this may drop if good varieties are produced which can be propagated by cuttings or layers. That is certainly still an important part of the breeding programme since it appears to be essential if self-pruning apples are to become financially viable in commercial orchards because of the very large numbers of trees required per acre.

Like all cultivated apples these Ballerina varieties fruit most reliably if pollinated by another variety of apple that is in flower at the same time. Both Polka and the ornamental variety Maypole flower in mid-season and overlap sufficiently with Bolero, which is rather early flowering, and Waltz, which is rather late flowering, to ensure good pollination all round. If conventional apples are already growing nearby they will pollinate any Ballerina varieties in flower at the same time.

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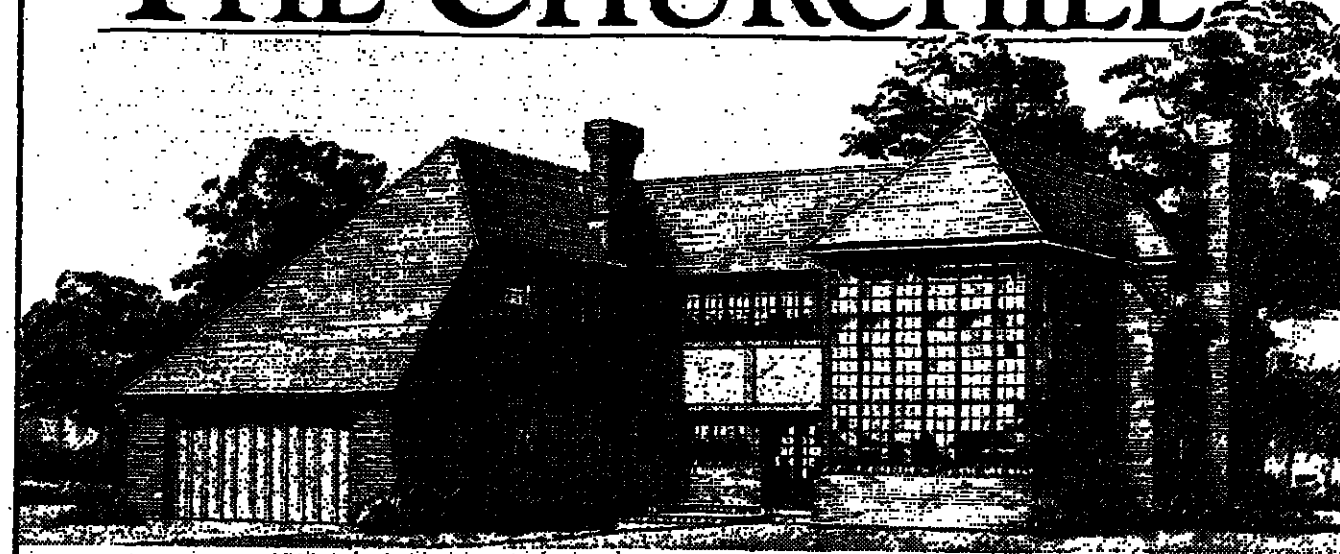

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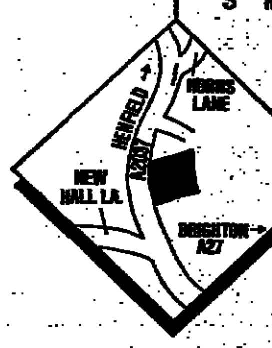

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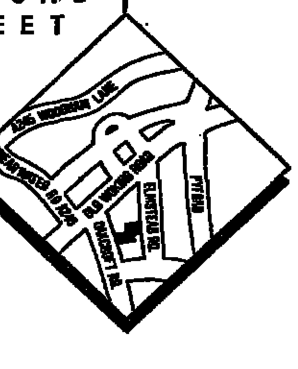

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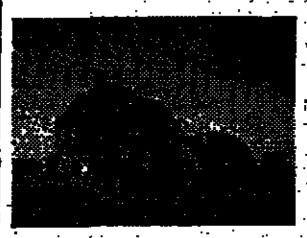

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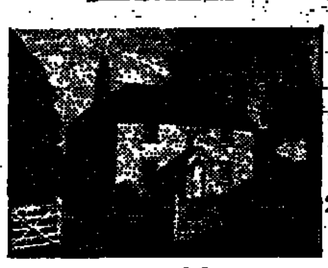

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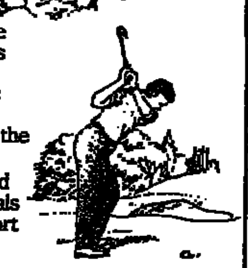
St. Mellion Park, near Plymouth is a unique development of magnificent country houses right on the edge of a world-class course designed by Jack Nicklaus. With panoramic views over the surrounding, unspoilt countryside and residential membership of the Golf & Country Club.



Each of the superb four and five bedroomed homes combines traditional building materials with the most advanced standards of comfort and elegance.

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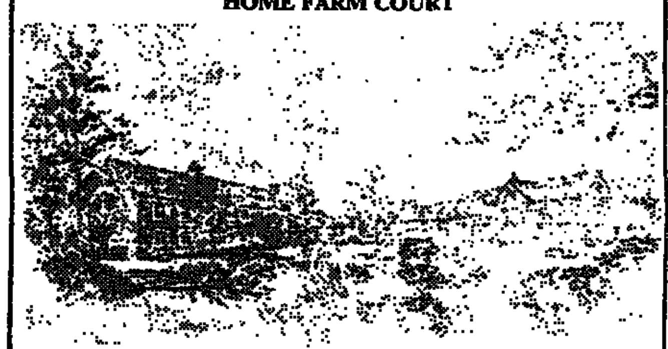

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Haslemere 4 miles, A3 6 miles.

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BOURTON DORSET
Grade II listed farmhouse. Lovingly restored. 3 receptions, 6 bedrooms, walled garden, paddock and stream. All in 1½ acres.
£350,000
Tel: 0747 840774

YORKSHIRE WOLDS - Grade II stone/brick beamed cottage, 18 miles East Coast, recently and carefully restored. Sitting room with new appliances, 3 Beds, Bath, Shower, Economy 7 heating. Garden with sun porch. Offers over £72,000. Tel: 09443 765.

NEAR STAMFORD, Peterborough 8 miles, London 90 mins via HST. A charming grade II Listed thatched cottage set in a sought after location. 3 recep. Kitchen/utility, 5 beds, bathroom. Grade II Listed barn with P.P.. Attractive courtyard and gardens. OIRO £270,000. Nelson Estates 0572 724848.

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LEIGH ON SEA Superb 1st floor flat (1986) Two bedrooms, large lounge, luxurious bathroom, kitchen G.C.H. double glazing, carpets. Ideal Fenchurch St/ Local amenities. Security phone, garage. £73,000 Tel: 0702 73532.

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AUCTIONS

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29TH SEPTEMBER 1989

Middlesex - Coston Mews, The Butts, Brentford. By direction of Martin Grant Homes. New and restored/extended houses. Listed detached town house 4 receps, 4 beds. Listed cottage 3 beds. 8 new town houses 3 and 4 beds. More details of mews houses and converted properties, which are now extremely affordable, may be had from the address below or at the properties. Viewing: Fridays and Mondays 4-7pm, Saturday 1-5pm and Sunday 2-5pm. For those who have not bought by auction before, we will be pleased to discuss procedures at the sale or beforehand.

Little Road SW6. Maisonette for improvement. 1 recep, kit, 1 bed, bath. Guide price: £20,000
Cheyne Court SW3. Mortgagees sale. Modernised apartment. 2 receps, kit, clkrm, 5 beds, bath. Guide price: £480,000
Middlesex • Northwood. Character 4 bed detached building plot with lapsed consent. Guide price: £500,000.

Auction Department, 6 Arlington Road, St. James's London SW1
Tel: 01 493 8222

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RENTALS

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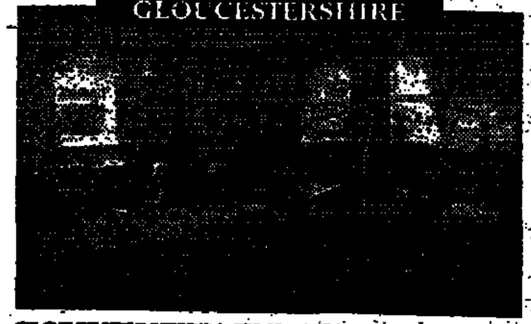
GLOUCESTERSHIRE



GLOUCESTERSHIRE – CHELTENHAM
In prime residential location the best purpose built flat on the market this year. Lift approach, hall, cloakroom, large drawing room, 21' long sun balcony, dining room, luxury kitchen, utility room, 3 double bedrooms all with en-suite bathrooms. Gas CH. Double glazing.
Offers in the region of £230,000.
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LONDON

PHILLIPS HOUSE, GOODGE STREET, W1
A luxury development of seven apartments. Fitted kitchens, fitted carpets, balconies, independent gas central heating and hot water, lift, full NHBC 10 year warranty, video entry phones.
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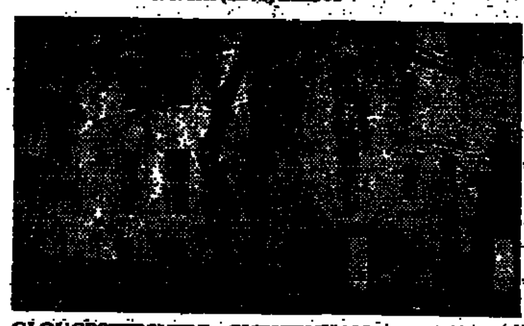
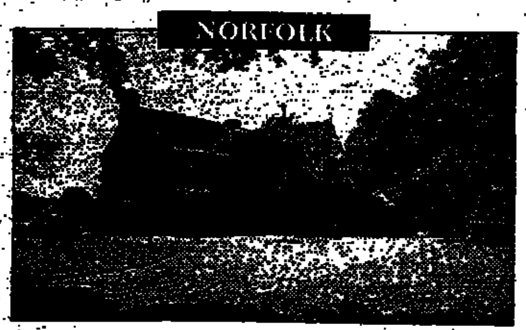
Joint Sole Agents. Hamptons Residential Developments. Tel: 01-493 8222. Harrison & Partners. Tel: 01-486 8121



GLOUCESTERSHIRE – CHELTENHAM
Within a few minutes walk of the town centre, a magnificent Regency town house. Outstanding drawing room, dining room, fitted kitchen/breakfast room, 5 bedrooms, 2 bathrooms (inc suite), excellent garden level accommodation. Gas CH. Well stocked gardens.
Offers in excess of £400,000.
Cheltenham Office. Tel: (0242) 222909

NORFOLK

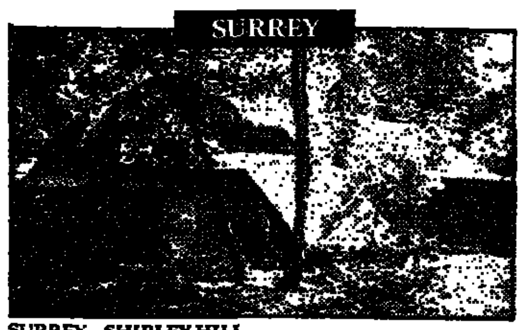


NORTH NORFOLK COAST – BURNHAM MARKET
A small country house situated in an unrivalled and elevated position. Entrance hall, drawing room, dining room, sitting room, study, studio/annexe, kitchen, utility, 2 cloakrooms, master bedroom with en-suite bathroom, 4 further bedrooms. Grounds of about 1 acre.
Guide Price: £325,000.
Norwich Office. Tel: (0603) 761478

BUCKINGHAMSHIRE

BUCKINGHAMSHIRE – HEDGERLEY GREEN
Two exceptional barn conversions to an exacting specification. With access to the M40 close on hand. Choice of either 4/5 bedrooms, the larger barn having a guest suite on the ground floor. Many quality custom made fittings including red chestnut kitchens.
Offers invited.
Beaconsfield Office. Tel: (0494) 677744

SURREY



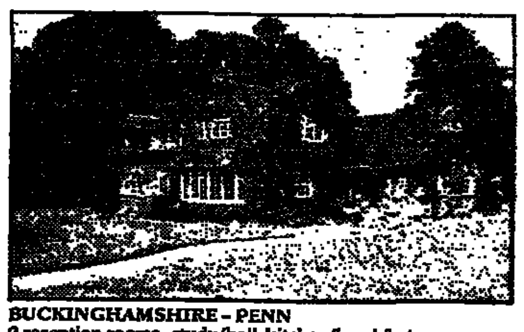
SURREY – SHIRLEY HILL
Hall, reception room, fitted breakfast room, utility room, cellar. Master bedroom suite, with dressing room and bathroom. Guest accommodation, two further bedrooms, family bathroom. Indoor pool with sauna. Wooded grounds in excess of 1 acre.
Offers in the region of £450,000. Shirley Office.
Tel: 01-656 8311 and Ibbett Mosley. Tel: (0732) 452246.

HERTFORDSHIRE

HERTFORDSHIRE – MUCH HADHAM
Bishop's Stortford 5 miles. Ware 7 miles. A10 6 miles. Part of the former Summer Palace of the Bishops of London. An historic village house with Royal connections. Hall, 3 reception rooms, kitchen, cloak & utility room, cellars, 7 bedrooms, dressing room, 4 bathrooms. Heated swimming pool. In all, approx. 2½ acres.
Bishop's Stortford Office. Tel: (0279) 758383

GLOUCESTERSHIRE – CHELTENHAM
Within 10 minutes walk of town centre, an individual home of character in an outstanding location. 4 reception rooms, luxury kitchen/breakfast room, 5 bedrooms, 2 bathrooms (inc suite). Garaging, heated pool. Gardens of ⅓ an acre.
Substantial Offers Invited.
Cheltenham Office. Tel: (0242) 222909

BETWEEN HOLT AND FAKENHAM
A fine Georgian house, immaculately maintained. Entrance portico, entrance hall, drawing room, dining room, rear hall, cellar, sitting room, kitchen, walk in pantry, rear lobby, shower room, large landing, 5 bedrooms, bathroom. Landscaped gardens of about 2 acres.
Guide: Excess of £375,000.
Norwich Office. Tel: (0603) 761478



BUCKINGHAMSHIRE – PENN
2 reception rooms, study/hall, kitchen/breakfast room, utility room. Ground floor suite of bedroom, bathroom and cloakroom, 2 first floor bedrooms, bathroom. Double garage with further utility, cloakroom, first floor loft room, gas C.H.
Offers in the region of £500,000.
Beaconsfield Office. Tel: (0494) 677744

FOR SALE BY AUCTION

EAST SUSSEX – ROTHERFIELD
A fine Tudor-style farmhouse in need of modernisation. Entrance vestibule, cloakroom, 3 reception rooms, kitchen, pantry, master bedroom with en-suite dressing room, 4 further bedrooms, 2 bathrooms. Numerous outbuildings including Sussex barn with conversion potential. Grazing pasture and some woodland totalling approximately 64 acres.
Auction 26 September.
Auction Dept. Tunbridge Well. Tel: (0892) 515464

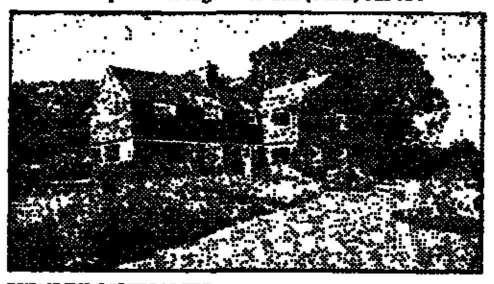
MAIDENHEAD – NEAR TAPLOW
Direct river frontage with mooring. Unique riverside Town house in a private road. Riverside views. Drawing room with dining area, family room, cloakroom, fitted kitchen, laundry room, 5 bedrooms, 2 bathrooms, en-suite shower room, Tower room/bedroom 5. Full gas CH. Double glazing. Double garage. Private gardens.
Auction 27th September.
Auction Dept. Cookham. Tel: (06285) 27433

GLOUCESTERSHIRE – BOURTON ON THE WATER
A select development of natural Cotswold stone houses set in the picturesque village. 3 reception rooms, kitchen/breakfast room, utility room, cloakroom, 3 bedrooms, 2 bathrooms. Double garage, walled garden.
Guide Price £219,000.
Cheltenham Office. Tel: (0242) 222909

WEST NORFOLK
Well placed Downham Market and A10. Well presented substantial Victorian farm house in rural hamlet. 3 reception rooms, kitchen/breakfast room, cloakroom, conservatory, cellar, utility, 5 bedrooms, 2 bathrooms, shower room. Garage, outbuildings, glorious partly walled secluded garden – about 2 acres.
Region £300,000.
Bury St. Edmunds Office. Tel: (0284) 767338

OXFORDSHIRE

OXFORDSHIRE – NEAR BURFORD
Burford ½ mile. A40 3 minutes. Charlbury Station 8 miles. An outstanding restoration and renovation of a Period Cotswold stone village house providing light and spacious accommodation of exceedingly high standards, combining period charm with superb modern amenities. Sitting room, dining room, conservatory, kitchen, cellar, 3 bedrooms, 2 bathrooms, garage, parking, walled South-facing garden.
Price £195,000.
Burford Office. Tel: (0993) 823636



HENLEY ON THAMES
An impressive detached home built in 1930's with planning permission for a substantial two storey extension. Triple aspect drawing room, dining room, kitchen/breakfast room. Cloakroom, utility room, 5 bedrooms, 2 bathrooms, oil CH, double glazing, detached double garage, heated swimming pool.
Auction 27th September.
Auction Dept. Cookham. Tel: (0628) 30743

BOURN END
With possible development potential. In grounds of one acre. Substantial portion of a large Grade II Listed property the main part of which dates back to 1700. Fine drawing room, dining room, kitchen, breakfast room, cloakroom, 5 bedrooms, bathroom, shower room.
Auction 27th September.
Auction Dept. Cookham. Tel: (06285) 27433.

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Most appealing Listed Thatched 4-Bedroomed Cottage Farmhouse amidst unspoilt countryside gaining panoramic views towards Dartmoor. Together with detached stone barn with outline planning permission for 4-bedroomed dwelling with delightful ½-acre gardens.

TO AUCTION — 12TH OCTOBER 1989 (unless sold)

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Car space separate.
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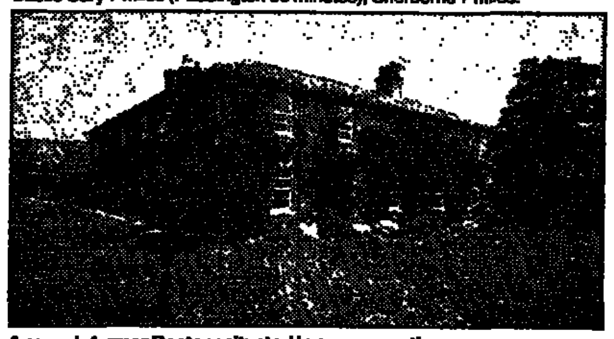
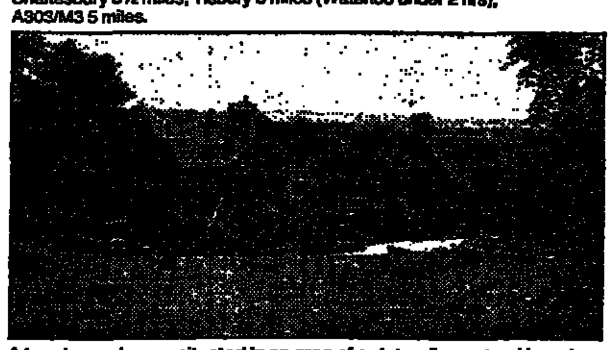
Humberts Residential

Dorset/Somerset Border A303/M3 1½ miles, Castle Cary 7 miles (Paddington 90 minutes), Sherborne 7 miles.



A superb former Rectory situated in a conservation area.
4 reception rooms, 6 bedrooms, dressing room, 4 bathrooms, cloakroom, kitchen 34' x 31'. Oil central heating. Guest/staff accommodation. Extensive garaging. Outbuildings. Grounds. Paddocks.
For Sale Freehold with about 6¾ acres.
Details: Shaftesbury Office, Tel: (0747) 53492 11/6843/JNS

Wiltshire/Dorset Border 10½ acres
Shaftesbury 3½ miles, Tisbury 5 miles (Waterloo under 2 hrs), A303/M3 5 miles.



A handsome house situated in an area of outstanding natural beauty.
4 reception rooms, 6 bedrooms, 3 dressing rooms, 3 bathrooms, cloakroom, kitchen/breakfast room. Oil central heating. Garaging, outbuildings and stabling. Garden. Paddocks. Annexe with hall, sitting room, kitchen, bedroom, bathroom.
Price Guide: £675,000 Freehold with about 10½ acres.
Details: Shaftesbury Office, Tel: (0747) 53492 11/6837/JNS

London Office: 01-629 6700
Humberts, Chartered Surveyors
25 Grosvenor Street, London W1X 9FE
Telex: 27444

CLUTTONS

SOMERSET/WILTSHIRE BORDERS
Bath 15 miles. Frome 2 miles. Warminster 6 miles.

A small Residential Estate in a beautiful setting.
A delightful 17th Century Listed Manor House with Great Hall, Library, Dining Room, 6 Bedrooms, 3 Bathrooms. Modern 3 bedroomed Cottage. Stable yard with 8 boxes. A range of modern farm buildings including covered yards and barns. An attractively landscaped trout lake and stream with about 95 Acres of pasture.
In all about 102 Acres.
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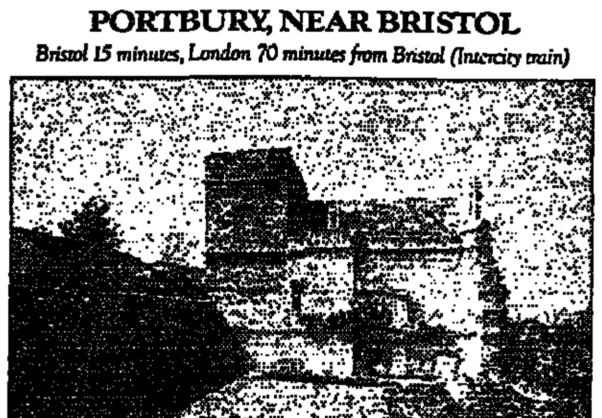
PORTBURY, NEAR BRISTOL
Bristol 15 minutes, London 70 minutes from Bristol (Intercity train)



A fascinating Grade II Listed former Priory dating from 1180 which has been carefully restored to provide a charming village house.
Drawing Room, Dining Room, Study, Kitchen, Playroom, 5 Bedrooms, 3 Bathrooms, extensive Cellars.
Gas central heating. Ancient walled gardens.
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BIDWELLS 0223 841842
Chartered Surveyors

CAMBS, ESSEX AND SUFFOLK BORDERS
Cambridge 17 miles. Haverhill 3 miles. Saffron Walden 8 miles. Audley End 9.5 miles.

An outstanding Grade II listed Sixteenth Century timber framed Country house. Hall 3 reception rooms including large drawing room with charming Elizabethan fireplaces, 5 bedrooms, 2 bathrooms, conservatory. Oil fired central heating. Aga. Set in a beautiful rural position with established private gardens with a pond, swimming pool and outbuildings. About 1 acre.

OFFERS AROUND £350,000

Stonecross, Trumpington High Street, Cambridge CB2 2SU

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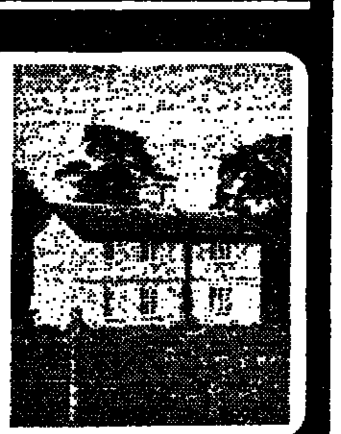
Chartered Surveyors

SUFFOLK
Close to Bury St Edmunds.
By Direction of the National Trust

An opportunity to purchase and restore a small cottage idylically situated in the heart of the Ickworth Estate.

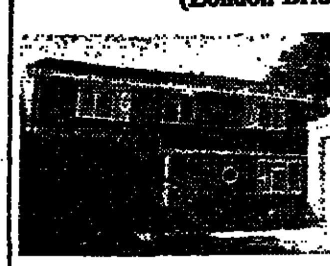
About one third of an acre.

Offers around £85,000
99 Years Leasehold.



Stonecross, Trumpington High Street, Cambridge CB2 2SU

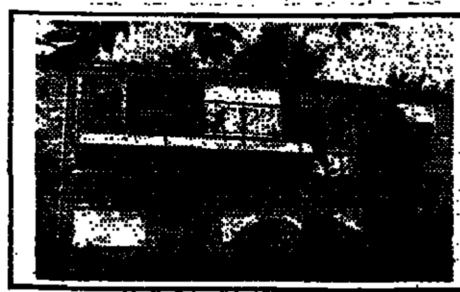
Haywards Heath - West Sussex (London Bridge 40 minutes)



Superb mock Georgian family house situated at head of quiet cul-de-sac, close to town centre.

Standing in large, wooded, south-facing gardens, it offers 4 bedrooms, 2 bathrooms (1 en suite), through lounge, dining room, study, kitchen, utility, cloakroom. Full GCH, double garage.

£189,950 Freehold.
Tel: 0444 415543



HEMEL HEMPSTEAD
Unique 4 bedroomed double glazed house in up and coming town. Picture-gallery entrance hall. High ceilinged studio. Near town centre, M1, M25. Euston 30 minutes. Fine views. Large garage. £315,000 ONO.

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Art for the sake of the leisure industry

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WE ARE familiar with "theme" parks and "theme" holidays. Why not property developments with a theme?

From Gibraltar drive to Algeciras, the opposite way to the more well-worn route for tourists along Spain's Mediterranean coast. Algeciras is an interesting city with an attractive waterfront. It is claimed to be the second largest container port after Rotterdam and is likely to become the most important port in Spain. It is an area well off the package holidaymakers' track.

A little further on is the village of El Pelayo. You are now in rugged, almost Scottish, country. An entrance you would hardly notice leads into the 12-acres of the Las Columnas estate, climbing a hillside with views across to Gibraltar and the north African coast.

Springs and streams keep it lushly green, even in the driest season. Cork oaks and eucalyptus cover the ground. There are patches of Morning Glory, scarlet hibiscus or purple bougainvillaea — usually beside some small, white ruined building nestling in the folds of hilly land.

The place and its former owner, the previous Lord St Oswald, played host to many important and famous names there. Some personalities came to relax in the simple buildings dotted around grounds that are now prey to weeds and brambles. Others came to discuss matters of state well away from the spotlight.

There is the white tower that was a favourite of Winston Churchill; the cottage where Harold Macmillan found he could lie in the bath and survey all the surrounding countryside. At Las Columnas, Franco held discussions on the restoration of the Spanish monarchy. A member of the British royal family leaned to water-ski in the swimming pool. Elizabeth Taylor and Richard Burton came to sort out their problems . . . It seems to have been a sort of Spanish Cliveden.

Las Columnas estate where there are plans for an artists' village

But that is history. The present Lord St Oswald had no use for the estate when he inherited it and it was sold. Its new owner is 37-year old Mats Palmquist, who is Swedish, with a Spanish wife. In a many-faceted career his most successful enterprise was ski resort organisation. Now, with his partner, accountant Leif Andersson, he plans to be developer, hotelier and patron of the arts at Las Columnas.

He believes that artists can only do their best work if day to day worries are taken off their shoulders. So, within the estate, he plans to build 22 studios, forming a "village" where artists and sculptors may come to live and work for from a month to a year, as his "guests". The studios will replicate the small buildings that are now crumbling away, and include any usable items from them.

The artists may bring their families if they wish. Dancers and string musicians will also be invited to perform in an amphitheatre in the grounds.

But for whom?

Palmquist's plan is, in effect, to bring audiences to the artists, for a hotel will be built in one part of the estate and a group of quality homes in another. He hopes both hotel visitors and home owners will become interested in the artists' colony and purchase work produced there. He searched for several years for what he considers the right site for this enterprise — the clear light along the coast was a big plus.

Some existing buildings, just below the highest point of the steeply sloping site, will be linked to form the basis of the five-star hotel, which will have its own gallery for displaying the artists' work. (Perhaps a useful hunting ground for investors in as yet "unknowns").

But Palmquist, who is, above all, an "ideas man" has further ways in mind to help young artists or indeed, established ones, who may take a break in his "village". He thinks perhaps 50 may spend time at the studios in the course of a year, and intends to make international tours, taking in six cities, displaying work done there. Pieces sold will remain with the exhibition throughout the tour. Palmquist's company, Dukla SA, will take 40 to 45 pc of the price they fetch (a lower percentage than is taken by a normal gallery, he points out).

He has an art co-ordinator and to ensure a high standard a "jury of judges" will vet samples from applicants who would like to stay at the village. Those short-listed will be asked to describe what project they would be working on while there. He admits: "We are looking for winners".

Properties for sale will mostly be on three floors and are described as apartment-villas. They have been designed by Jesus del Valle, of Granada, the project's main architect. They will be offered as shells, with buyers free to stipulate how they would like the interiors completed. There will be garaging, but no gardens, since they will be surrounded by the estate grounds. Work on these is to start in a few months.

The villas are priced between £350,000 to £400,000 and will not be sold to speculators. Agents are PMS, Wesley House, Main Street, Gibraltar (who are at present also accepting names of applicants to stay at the artists' village). PMS has a UK office at Maidenhead, Berks, which is involved in the property sales (Tel: 0628-776000).

Algeciras is 40 minutes' drive from Gibraltar, but the journey will be cut to 25 minutes when road works now under way are completed. It is expected that the airport at Gibraltar will eventually be upgraded or an international airport built nearby in Spain. The hotel may eventually prove a convenient conference venue and facilities will be provided for meetings of up to 150 business people (seen as being of senior executive status).

One cannot help feeling that Las Columnas could become a gossip columnists' dream. Nevertheless it is a refreshing approach at a time when many developers seem sadly lacking in new ideas.

Buying in the Algarve

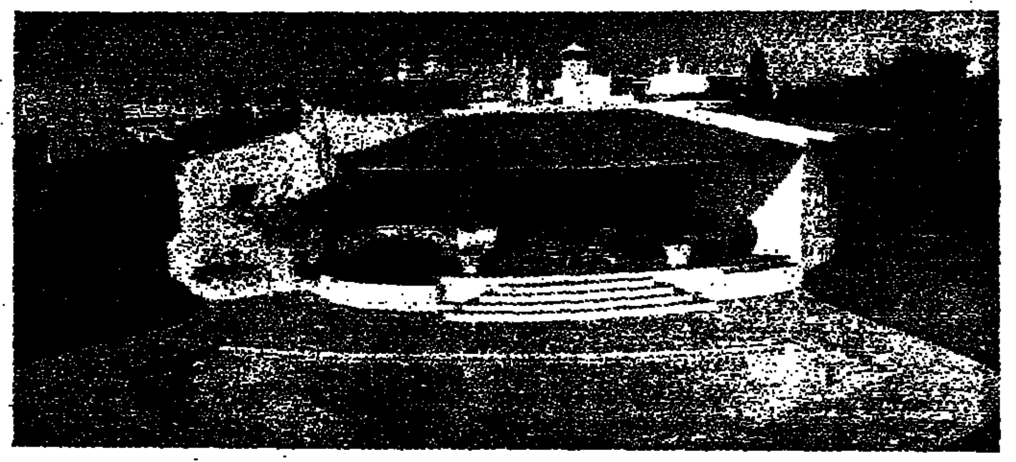
AS CONTROL of development tightens in Portugal's Algarve province a much-needed new terminal has opened at the region's airport at Faro. So perhaps it is time to take another look at property on this southern coast.

Anyone in the London area with that thought in mind might like to know that the eighth annual Algarve exhibition is being held at the Hilton hotel, in Park Lane, London, from September 24-26.

Some 50 stands of developers, agents, banks, solicitors, insurance companies, architects, designers, removal firms, medical protection services are among those who will be on hand. They will be able to give possible buyers an idea of what is available, the best way to fix finance, move furniture and even give advice on how to stock the new garden.

Six mock-up villas in a typical Algarve square are being built in the hotel's ballroom for visitors to sample. The exhibition is sponsored by Algarve Magazine and TAP Air Portugal. It is open to the public from 11 am to 8 pm on September 24 and 26, and 4 pm to 10.30 pm on September 25.

For those considering a wider area, Homes Overseas exhibition (sponsored by Homes Overseas magazine) will be at London's Waldorf hotel, Aldwych, from September 22-24.



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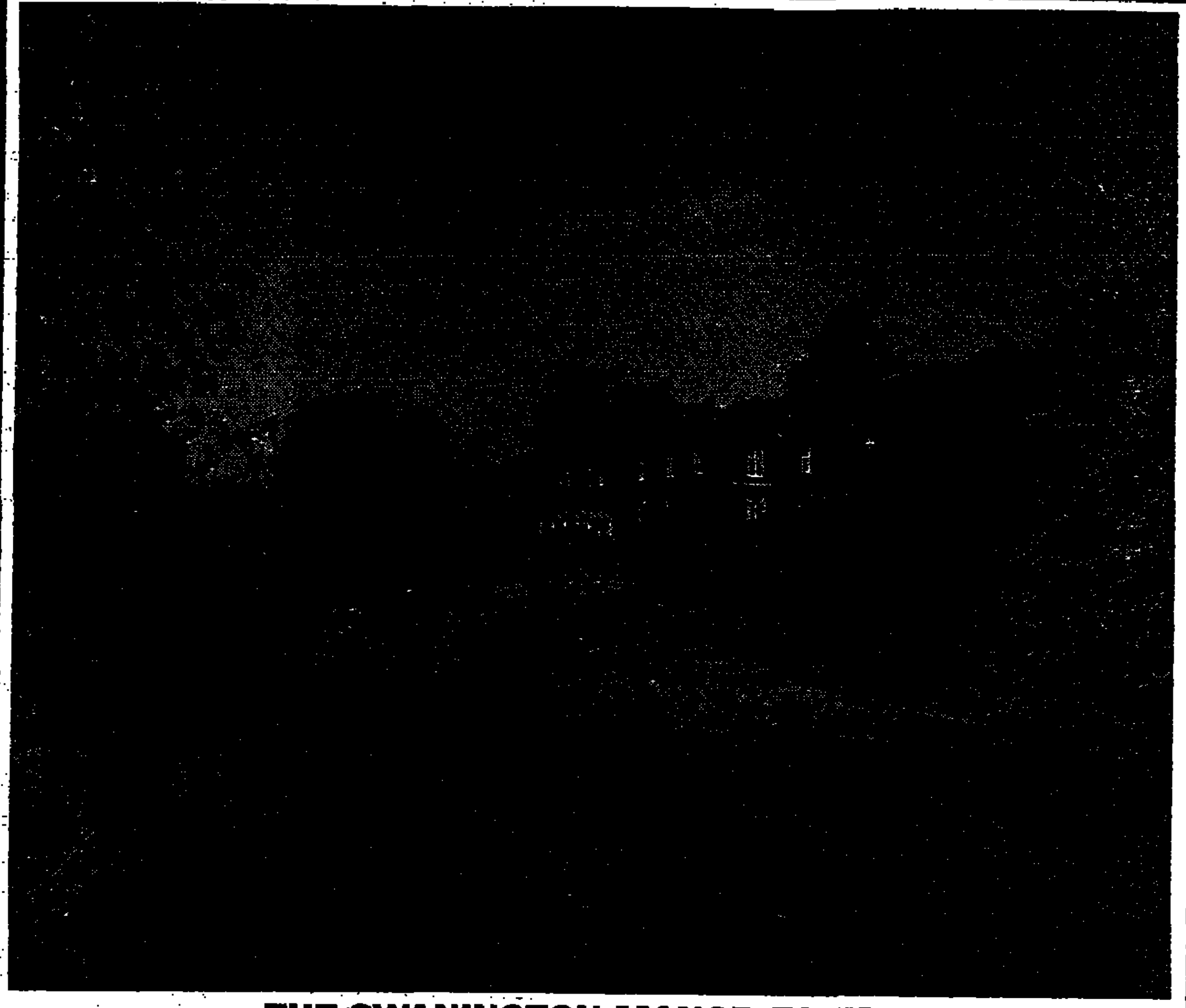

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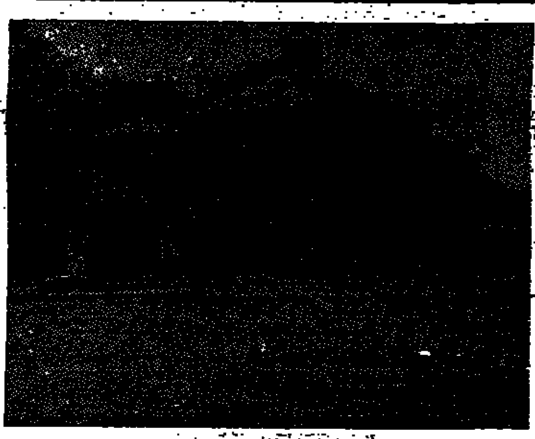
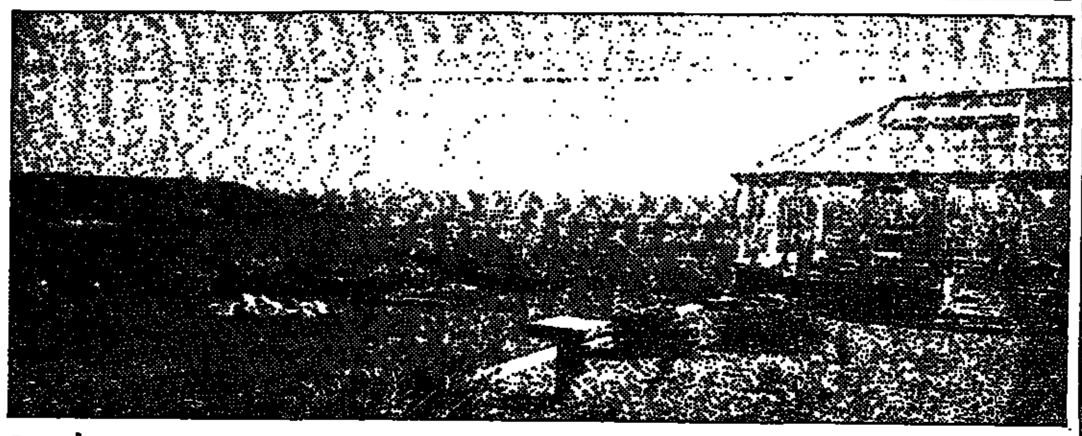


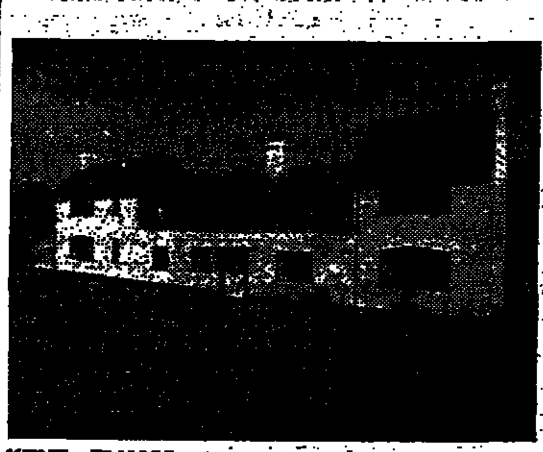
WILTSHIRE - WYLYE VALLEY. A303/M3 ½ mile, Salisbury 12 miles, (London/Waterloo 90 minutes). **A most beautifully appointed Grade II listed stone Regency house set bordering open fields on fringe of the village.** Hall, 4/5 reception rooms, kitchen/breakfast room, utility room, cloakroom, 4 bedrooms, 2 bathrooms. Outbuildings, stable, walled garden and grounds. **About 1 acre. Region of £395,000.** **Salisbury Office: Tel:** (0722) 28741. Ref.7AD887.

HAMPSHIRE - Hartley Witney 2½ miles, Basingstoke 7 miles. **An attractive family house superbly situated in lovely grounds and worthy of further enlargement.** Entrance hall, 3 reception rooms, large kitchen/breakfast room, 4 double bedrooms, bathroom, dressing room/bathroom 2. Range of outbuildings. Timbered gardens, grounds and Paddocks. **About 5 Acres. Newbury Office: Tel:** (0635) 521707. Ref.14AA390.

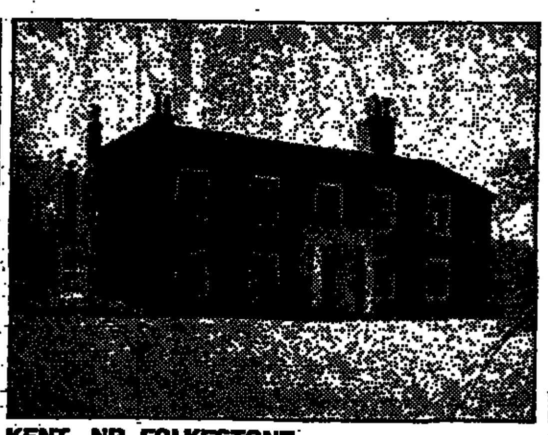
SURREY - CRANLEIGH. Dorking 13 miles, Waterloo 40 minutes. **Charming 17th Century listed village house overlooking the green.** 3 reception rooms, study, 5 bedrooms, 2 bathrooms. Outbuildings. Well-stocked and maintained garden. Sheltered paddock. 2 bedroom cottage available. **About 2½ acres. Excess £350,000** **London Office: Tel:** 01-629 7282 Ref: IAG11445.



SARK - CHANNEL ISLANDS **One of the finest houses on Sark in a magnificent setting with panoramic views over its own coastline.** No Income, Capital Gains or Capital Transfer Taxes. Reception hall, 2 reception rooms, kitchen/breakfast room, master suite of bedroom, bathroom and dressing room, 2 further bedrooms and bathroom. Guest wing. Staff wing. Traditional outbuildings. Garden, paddocks and coastline. **About 25 acres.** **Joint Sole Agents:** Lovell & Partners, 11 Smith Street, St Peter Port, Guernsey. **Tel.** 0481 23636. **Strutt & Parker, London office: Tel.** 01-629 7282.



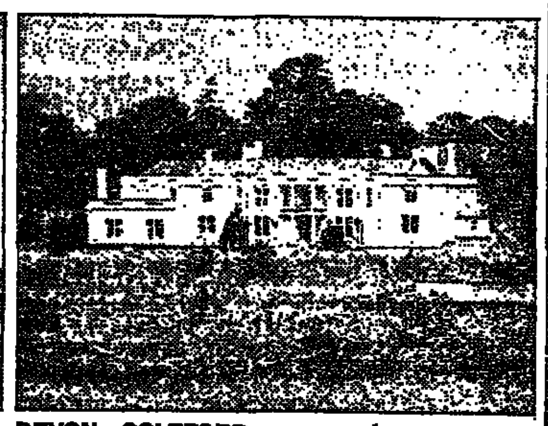
KENT - ELHAM. Canterbury 9 miles, (Victoria 83 minutes). **A period farmhouse dating from the 18th Century of character recently modernised with a 17th Century barn with potential, set in a wonderfully secluded position.** 3 reception rooms, conservatory, kitchen, breakfast rooom, utility room, cloakroom. 4 bedrooms, 2 bathrooms. Study/office, 17th Century barn with potential for conversion into annexe. Double garage, Coach house, Greenhouse. Gardens & pasture land. **About 10 acres. Region £290,000.** **Canterbury Office: Tel:** (0227) 451123. Ref.8CD/3184.



KENT - NR. FOLKESTONE Folkestone 5 miles, A2/M2 6 miles. **An elegant Listed country house with good accommodation including a cottage with pleasant views over its own mature grounds.** Hall, 4 reception rooms, cloakroom, kitchen, 5 bedrooms, 2 bathrooms, separate WC. Cottage with sitting room, kitchen, 2 bedrooms. Swimming pool, tennis court, garaging. Outbuildings, stabling. Gardens and paddocks. **About 7 acres. Region £375,000.** **Canterbury Office:Tel:** (0227) 451123. Ref. 8CC3141.

COTSWOLDS. Broadway 3 miles. (Paddington 90 minutes). **A superbly appointed 17th Century stone farmhouse with far reaching views in a peaceful Conservation village.** Hall, 4 receptions, fitted kitchen/breakfast room, master suite of bedroom, dressing room & bathroom, 5 further bedrooms all with en-suite bathrooms, staff suite. 8 car garage/office complex, swimming pool, gardens, paddocks. woodland. **About 15 acres. Moreton-in-Marsh Office: Tel:** (0608) 50502. Ref.18AA024.

SUSSEX - GLYNDE Lewes 4 miles, London/Victoria 64 minutes. **A prestigious Victorian Country house situated in a splendid rural position with views over surrounding farmland to the South Downs.** 3 reception rooms, 5 principal bedrooms, 2 bathrooms, 5 attic rooms, oil fired central heating, double garage, tennis court, gardens, paddock & woodland. **About 10 Acres. Excess £600,000.** **Lewes Office: Tel:** (0273) 475411. Ref: 6AC4441.

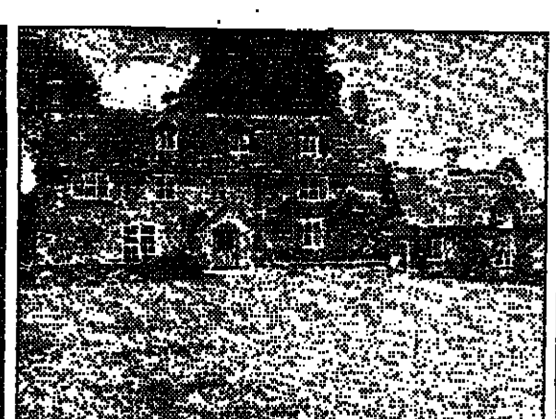


DEVON - COLEFORD. Crediton 3½ miles, Exeter (M5) 11 miles. **An elegant Georgian house in a peaceful setting with views over open farmland, currently being run as a country house hotel.** Hall, office, 6 receptions, cellar with bar, pool room, dining area, children's room, 12 bedrooms, 9 bathrooms (8 en suite), 3 shower rooms. Owners accommodation with 3 bedrooms, 2 bathrooms. Attics. Garaging, car parking, tennis court, swimming pool, gardens, woods. **About 5 acres. Exeter Office: Tel:** (0392) 215631. Ref.13BD771.

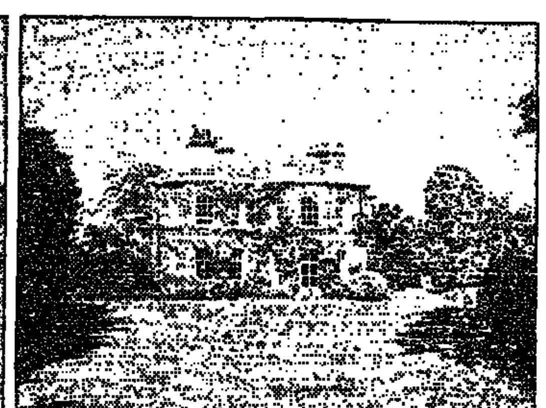
BERKSHIRE - OLD WINDSOR Windsor 1½ miles, Ascot 8 miles, (Waterloo 35 minutes). **An imposing Grade II Listed Georgian country house in landscaped gardens and grounds adjacent to the River Thames.** Hall, 4 receptions, 2 studies, kitchen/breakfast room, master suite of bedroom, bathroom & 2 dressing rooms, guest suite of bedroom, bathroom & dressing room, 6 further bedrooms, 2 bathrooms & shower room. Sauna, swimming pool & pool house. Staff/guest flat. Tennis court, outbuildings & garaging. **About 6 acres. London Office: Tel:** 01-629 7282. Ref: IAG10730.

WARWICKSHIRE - HENLEY-IN-ARDEN Stratford-upon-Avon 8 miles. M40 4 miles. **An outstanding residential arable farm.** Grade II listed farmhouse with 3 receptions, 6 bedrooms, 3 bathrooms. Pair of semi-detached 3 bedroom cottages. Traditional farmbuildings. Modern farm-buildings with grain storage for 1200 tonnes. Productive Arable land & Paddocks. **About 350 acres. For Sale whole or in up to 8 lots.** Joint sole agents: John Earle & Son. Tel: (05642)4343. **Strutt & Parker London Office:** Tel: 01-629 7282. Ref:10C11470.

BUCKINGHAMSHIRE - CHILTERNS Beaconsfield 4 miles, (Paddington 35 minutes), London 25 miles. **A picturesque Grade II Listed country house set amidst unspoilt Chiltern countryside.** Reception hall, 3 reception rooms, conservatory, 'Smallbone' kitchen/breakfast room, master bedroom, bathroom and dressing room/study suite, 3 further bedrooms and bathroom. Charming guest/staff cottage. Heated swimming pool. All weather tennis court. Landscaped gardens. Stabling and paddock. **About 2.6 acres. Region £750,000.** **London Office: Tel:** 01-629 7282. Ref.1AG11472.



SOMERSET - NORTH CHERITON Wincanton 2 miles, Sherborne 5 miles, (Paddington 1 hour 30 minutes). **An exceptional period stone farmhouse on the edge of the village with outstanding views.** Entrance hall, 3 reception rooms, kitchen/breakfast room, 5 bedrooms and 2 bathrooms. Annexe with sitting room, bedroom and bathroom. Excellent stableyard with two ranges of stone buildings including 8 loose boxes, tack room, feed store and hay barn. Well laid out gardens and paddocks. **About 14 Acres.** **Salisbury Office: Tel:** (0722) 28741. Ref.7BB805.



CHESHIRE - SANDIWAY. Chester 14 miles, Station 3 miles (Intercity to London 2 hours). **An elegant period country house in a superb and quiet parkland setting and with excellent access to the major centres of the North West.** 4 reception rooms, fitted kitchen, domestic offices, 5 bedrooms, 2 bathrooms, 2nd floor accommodation. Extensive cellerage, 2 bedroomed self contained flat. Outbuildings, walled rose gardens, tennis court, woodland, paddocks. **About 6 acres. Excess £500,000.** **Chester Office: Tel:** (0244) 310274. Ref.12BB1952.

PROPERTY

Why Theresa has influence . . .

Audrey Powell takes a look at the impact of women on the property world

PROPERTY IN Italy has long been a field dominated by men. Now, though, women are moving in. Take Borgo Bastia Creti, in Umbria, a group of buildings in farmland overlooking the Tiber valley, 15 miles from Perugia. The borgo (small country estate) dates from 1430. It has 25 acres of private grounds and would have been a summer home for Perugia families.

The main house has now been divided into five two-to-four-bedroom apartments, on two to four floors. A detached building on a lower terrace has been made into a one-bedroom and living room "studio". There are hand-painted tiles, 16th century doors along with the latest in-heat and acoustic insulation.

The units are being offered by Hamptons in London (Tel: 01-493-8222) at from £170,000 to £330,000.

So where is the feminine influence?

The developer is a woman, Theresa Delogu, the wife of Gaetano Delogu, music director and conductor of the Denver Symphony orchestra.

This is her second venture. Whole hamlets frequently become vacant in rural Italy, now that their occupants are forsaking them for work in cities. She earlier acquired and restored one of a group of properties in a hamlet to provide a country home for her own family. Friends were impressed and she continued the exercise, using the building team to renovate further properties there for them. She added her own ideas for interior finish.

Hamptons saw the results and are now offering her latest conversions on the open market. There are also six unrestored farmhouses within Bastia Creti. They will be sold, with 2¼ acres, from about £75,500 to £173,600. Theresa Delogu can recommend experienced builders and offer her own renovation expertise, to buyers. They will benefit from the estate facilities which will include a tennis court and heated swimming pool. It is envisaged that eventually some 50 to 60 people could be living there and there will be caretaking and letting services and probably a local family providing simple meals.

Next there are the agencies. Italian Country Homes, for instance, in Tunbridge Wells, Kent (Tel: 0892-515611), is run by Nikki Keep, who has had 20 years' association with Italy and lived in Rome for eight of them. She knows at first hand the problems of converting properties there.

While fluent Italian stands her in good stead, also useful is her past training as an artist, enabling her to sketch buildings which might be difficult to photograph — in narrow streets, or screened by trees.

This firm offers a varied selection of properties in Tuscany and Umbria, and in less often quoted areas such as Liguria and the Veneto. There are apartments in a former monastery overlooking Lake Trasimeno, from £65,000 to £160,000, or the small Castle Lucarelli, in the Siena region — furnished and surrounded by 150 acres of woodland — is £600,000.

In the area of Punta Sabbioni, 20 minutes' drive from Venice's Marco Polo airport, the agency has flats in a new apartment block, "one of the few given planning permission by the Venetian commune, with its strict rules about colours and building styles".

Laying the foundations took four months, with continuous pumping to extract lagoon water. While some of the flats have conventional balconies, others have an "altana", the wooden platform version of the region. They face a central garden with swimming pool and each has garaging for two cars. Prices from £39,000 to £138,000.

Another agency is Hello Italy — very much a feminine business — offering properties in a lesser known part of Tuscany.

It all started when Helen Allan and her husband were living in Italy. They bought land, had a house built and later bought a mill. Back in Britain they made little use of the properties, so began to let.

British and Italian friends in Tuscany asked if the Allans could fix up holiday lettings for their properties as well. So Lunigiana Holidays came into being, run by the Allans' daughter, Julia, in Italy.

Then people who wanted to buy for themselves, so an estate agency was born. This is run by Helen, in Godalming, Surrey and another daughter, Lois (hence its name Hello Italy) in Licciana Nardi, Italy.

They have about 100 properties on their list — cottages, villas, farmhouses, old mills — from £25,000 to £100,000 and above. All are in what Helen says is a quiet corner of Tuscany that few people know about — where prices are geared to the locals rather than to tourists.

Typical might be a well-renovated old beamed house in the village of Fosdinovo — four bedrooms, each with balcony, living area, dining room, £110,700. Or a converted barn with views to the Apuan Alps, on two levels, with two bedrooms, central heating, furnished, for £44,600. Or a very private house hidden in woods above Pontremoli, three bedrooms, needing modernisation, outhouses used as barns, nearest village about a mile, £51,800.

Details from UK office (Tel: 04868-21218) or Italian office (Tel: 010-39-187-474366).

If you are planning a move to Italy, or just want advice on purchasing there, a woman can help in another way. *Living in Italy* (Robert Hale, £11.95) by Yve Menzies, is as practical a book as you are likely to get. Its second edition is just out. Its author was born in England but spent most of her time living and working abroad before settling in Liguria six years ago. She has been an interpreter/translator and copywriter and is married to an international lawyer.

She enjoys Italy but is not blind to its faults, and her book covers a range of subjects that could all be relevant — the chapter on taxes particularly so: "Get skilled advice about taxes from experts, not friends." If the detailed section on flats (which in Italy must be part of a condominium, with you the absolute owner and co-owner of the common parts) doesn't put you off buying entirely, it should help you to steer clear of pitfalls.

The main house at Borgo Bastia Creti, which is being converted into apartments of two to four bedrooms

TRAVEL

Icy beauty: one of the waterfalls that forms part of northern Iceland's grand landscape

Small country: big scenery

***Angela Wigglesworth** finds northern Iceland full of surprises*

PETUNIAS AND pansies were flowering in the window boxes. The weather was short-sleeve warm. It was hard to believe that this was northern Iceland. But it is a surprising country — where else do you find a salmon river running through a capital city *and* everyone listed in the 'phone book alphabetically under their first name?

It is a small country a little bigger than Ireland with a population of about 250,000, but its natural wonders are on the grand scale. From Reykjavik in the south west it is easy to get to spectacular waterfalls, volcanic craters, the Great Geysir (the hot spring that gave its name to hot springs everywhere — *geysir* is an Icelandic word), and the site in a rift valley of the oldest democratic assembly in the world.

But the less-visited north has splendours, too, and Akureyri, on the shores of Eyjafjordur, Iceland's longest fiord, is an excellent base from which to see them. Here are the largest lava fields in the world, the most powerful waterfall in Europe, and milky-grey glacial rivers that flow swiftly through rocky gorges. The moors in late summer are covered with great clumps of brilliant red and yellow heather and pale green moss. At the wide Godafoss waterfall, we picked handfuls of blueberries and sweet whortleberries growing deep in the grass.

At Namaskard, we trod carefully over the muddy sulphur fields where black pools bubbled and belched and steam jets shot out of the boiling springs. In the distance their trails spiralled away in the wind like trains puffing across a brown desert.

The 15-square-mile Lake Myvatn (Lake of Midges) is Iceland's most beautiful and third largest lake, with about 160,000 ducks nesting on it and 50 little rocky islands jutting from its shallow waters. In the surrounding countryside, farmers graze their sheep, grow potatoes, fish for trout, smoke salmon in small grass-covered huts and bake black bread in the open air with steam from the nearby hot springs. At Dimmuborgir you can walk and easily get lost in almost mythical glades from which fantastically shaped lava blocks rise in dark twisted forms.

One evening we took a three-hour "Mid-night Sun" tour. The bus left Akureyri at 9pm and we had soon left the town. We passed fox and mink farms, sheep and sturdy Icelandic horses grazing in the fertile meadows, the mountains dropping in folds to the blue fiord. Across it we could see the slender green island of Hrisey where about 300 people live and ptarmigans nest. There is also a private bird sanctuary that can be visited with the owner's permission.

At Dalvik, a small fishing village, we stopped in a cafe with dark beams and wooden tables and had pancakes and cream and coffee from large pink pots. Eiders bobbed on the still water and fishing boats lay by the stone harbour wall.

We were climbing now to the Muli, a mountain road that hugs the precipitous cliffs round the Olafsfjordur promontory up to the Arctic Ocean at one of Iceland's most northerly points. Those with vertigo problems changed sides in the bus and looked the other way. But whichever way you look, the view is fairly dramatic: high rocky boulders poised precariously on the left, a vertical drop to the fiord below on the right.

At 11.30 we were at Olafsfjordur, a town that until 1966 was almost completely isolated during the winter. Here, in this night sunlight, we saw trawlers in the harbour, the town's ski-jump, an eight-hole golf course and a main street of single-storey houses with neat lace-curtained windows. Fish, hanging up to dry on wooden rafters, were caught, we were told (with a degree of technicality that escaped me) with the aid of computers. The water was imperceptibly darkening now and the sun, still too bright to look at in a pale blue sky, was touching the snow on the mountains with pink.

At midnight it hung low over the horizon and cast a shimmering path on the water. We could see Grimsey, an island crossed by the Arctic Circle, about 20 miles away. As we stood and watched, there was a strange silence and the soft grey light of early dawn began to creep over the fiord without there ever having been a night.

It is well worth spending a few days in Akureyri itself. Once a Danish trading centre, it is now an attractive town with tree-lined streets and gardens, a busy harbour, lively shopping centre and the world's most northern golf course, where in the summer you can play all night long by the light of the midnight sun.

The weather, I was told by an Englishwoman who has lived in Akureyri for many years, could be "wonderful" with temperatures sometimes in the 30's, even in May. "Akureyri gets the most sun in Iceland and isn't as cold as other places because we're at the end of this very long fiord," she said. In fact, weather in Iceland can change rapidly, and there is a saying: "If you don't like it (the weather) wait a minute."

I stayed at the comfortable and centrally-situated Hotel KEA whose manager, Gunnar Karlsson, is also chairman of the local tourist association. Iceland is notoriously expensive, but he claims that "you won't find a cheaper place to eat in Akureyri than our cafe," and I think he is right. It also has very good food. The 70-seater restaurant is more expensive, but again the food is excellent with lobster, salmon, herring, shark and smoked mutton on the menu. Local drinks include the strong Brennivin, known as Black Death.

■ *More information from Icelandair, 172 Tottenham Court Road, London W1P 9LG. Companies running Iceland tours include Arctic Experience, Travelscene and Scanscape.*

Branson's remote island paradise

***Antony Thorncroft** on how the rich find privacy*

IN 1492 Columbus took a look at Necker Island in the British Virgins and quickly passed on to lusher lands. Nothing much happened to this tiny 74 acres of Carribean real estate for the next 500 years until Richard Branson decided to buy a Virgin island as an accessory to his Virgin record chain.

He chose Necker because it has beaches, the protection of a coral reef, and is a 15-minute launch ride away from Virgin Gorda, one of the two seriously populated spots in this remote scattering of islands on the outer north-eastern ridge of the Carribean chain, not far from Puerto Rico. He lavished millions on the place, building a spacious Balinese style house into the highest point. And, being a businessman, he is now cashing in on his investment.

For up to an inclusive $8,250 a day in the high (winter) season you can rent Necker and be exclusive. You need not be alone — the house sleeps 20, and if you can only find nine friends the cost declines to $6,050 a day. You do not have to fend for yourself: there is a staff to pour the champagne and to boil the lobster, and to take the hassle out of living. It helps to have an interest in water sports because the island provides the perfect location for snorkelling and scuba diving, water ski-ing and wind surfing, sailing and fishing, and all the gear is provided. Basically, though, Necker aims to offer paradise, and privacy, at a price.

So what is paradise like? Climatically it is perfect, with temperatures remorselessly into the high 80s, and the rain, which keeps the island pleasantly green, coming in spurts. If you find the sun too relentless, Branson has dotted the island with Indonesian long huts, and by climbing a few stairs you walk into the coolest of breezes, with an ice box constantly packed with everything from champagne to diet cola.

To give nature a push, Branson is smartening up the island with flowers and fruits. There are plans to introduce flamingos. An island which in two weeks defeated photographer Don McCullin and journalist Andrew Alexander, who chose it for a Crusoe-like survival test 20 years ago, is now a location spot for TV commercials and fashion shoots.

The house is airy and tastefully decorated. The furniture is Balinese, plants abound, the staff are discreet and friendly, the food adapted to your tastes, and the whole environment conducive to secret leisure. There are plenty of flash extras, but really Necker is the place to conquer the sea by day and then to lounge, in the kimono provided, in the terrace hammock, watching the sun set, awaiting the gong which will summon you to the trough.

So what is wrong with paradise? That is the obvious reaction to such forced pleasure.

'These are the last unspoilt islands in the Caribbean'

Well, it helps to be sociable: some of the bathrooms between the double bedrooms are designed to be shared. There have been connoisseurs who criticised the wine list. Some older guests search in vain for beach furniture, although yards away in clearings there are the very comfortable long huts, replete with loungers. The pathways are scarcely carpeted. And the geckos, the tame lizards that haunt the house and island, have not yet swallowed all the mosquitoes.

The trouble with paradise is that it lasts for ever. In time, Necker would exhaust even the most fanatical sports enthusiast; for the more reflective soul who has flicked through Richard Branson's taste in books, CDs and videos, and is surfeited with idleness, there will be an urge to call for the boatman and set about exploring the nearby larger Virgins (the British ones only, of course: the American owned Virgins are basically commercialised ports of call for cruise ships, with the exception of St John, which Laurence Rockefeller has largely bequeathed as a national park).

The British Virgins are among the last unspoilt islands in the Carribean, even though most visitors are rich and American and drop in on their yachts. The 11,000 or so inhabitants seem to get good-natured pleasure from the tourists, knowing that their livelihood depends on the profusion of smart marina resorts which are being carefully developed on the best beaches.

Some, such as Little Dix Bay on Virgin Gorda, which charges $525 a day for a double room and makes Necker look cheap, are as anonymous as any luxury resort in the region, cocooning their guests within its borders of bougainvillea and hibiscus and keeping out the easy going, unsophisticated charm which is the attraction of the Virgins. Others, like Anegada Reef Hotel, on the remote coral island of Anegada, maintain casual beachcombing traditions and serve up conch and turtle, along with the inevitable lobster.

There is not much intellectual stimulation in the British Virgins. The main sites are the wrecks of old ships and the remnants of a 19th century copper mine, but the Government is keen on nature reserves and the scenery, although on the dry side, is decorative. This is escapism pure and simple: the chance to swim through translucent waters along with the fish, to idle and to play in a safety, and with an economy, not guaranteed in all the Carribean islands.

■ *The British Virgins are 30 minutes by air from Puerto Rico, which is served by British Airways; packages start at just over £800. More information can be obtained from the BVI Tourist Board, tel: 0279-654969 in the UK. To book Necker, contact Ruth Kemp (01-938-3618).*

Prices are lower in the summer: $5,500 a day for up to ten people before November, and you can arrive by helicopter. Give plenty of advance warning. Paul McCartney, attempting to call in, was chased away by two of the friendliest dogs in the hemisphere.

Risks and rewards

***Christina Lamb** flies through northern Pakistan*

"IT'S NOT healthy flying so close to mountains," said the pilot. At a height of 12,000 ft, with the mountains towering another 12,000 ft above, I could not help agreeing. I was not comforted by the flight plan for the one-hour trip into Pakistan's northern areas. "Follow the river," it declared in bold childlike capitals. Where were all the reassuringly indecipherable latitudinal readings?

The captain, Hamid Arfal, just laughed as he steered the Fokker Friendship through a crevice into the next valley. Only the best pilots fly this, one of the world's most dangerous routes, snaking through the shadows of seven of the world's 10 highest mountains. Weather conditions can change so quickly that between entering and leaving a valley the clouds may have come so low that the plane is trapped. Often the plane has to turn back.

Within a few minutes of a shuddering take-off, we were in a land of ice light years away from the sterile charms of Islamabad. It was easily worth the week's wait for clear weather and the small bribe to get a righthand seat.

Though there are breathtaking peaks in every direction, I wanted to enjoy the spectacle of Mt Nanga Parbat, which is so massive that it took at least 10 minutes to skirt. On the horizon the ranges of the Karakoram Himalayas shimmered in the sun, the greatest concentration of high peaks in the world.

Behind me a fat American lady observed to her check-suited husband that the snow seemed close enough to touch, and was promptly sick in the thoughtfully-provided bag. Hair-raising though the flight is, in 40 years there have only been two crashes — far fewer than on the flight to Peshawar, which has more than once fallen victim to Kalashnikov bullets fired randomly in the air.

The reward for the risk is unforgettable. I challenge anyone to find a more exciting hour's entertainment for only Rs520 (£15 return). Spectacular snowscape after snowscape, each more dazzling than the last, was rolled out before us.

Far below was our guide, the Indus, rushing between Tibet and the Arabian Sea. Patches of green marked inaccessible villages clinging to sheer cliffs in which irrigation channels or *kuls* had somehow been chiselled.

It was over too quickly and we were heading towards a huge red mountain. "I can't see the airport," yelled the pilot. Was he crazy? Like a fly about to smash into a glass pane, we were hurtling towards the red mountain which filled every window. At the last moment we dipped to the left through a narrow crevice, and were landing.

"You were scared, weren't you?" challenged the pilot. "No!" I said, hoping he wouldn't notice my hands shaking as I filled in the foreigners' registration list. In a 1 cm square box I was required to write everywhere I had been in Pakistan. I could barely fill in "Islamabad," let alone a year's worth of destinations. Instead I wrote *Yes*, hoping the police officer was unfamiliar with English.

This seemed a fair gamble in the poorest part of a country with an official literacy rate of 26 per cent. I wondered how an English fisherman and a train driver from Ohio had ended up so far off track, but flicking back through the registration list, it seemed that they were in esteemed company. Princess Diana and Daffy Duck had also been to Gilgit.

After the roller coaster flight, Gilgit was disappointing: caged in by sheer mountains barely flecked with snow. The town is somehow endearing with its sprawling bazaar full of exotic people from nearby China and Afghanistan and its shops overflowing with the most impractical smuggled electronic goods.

Who, in such a poor place as Gilgit, where even a kettle is a luxury, would buy a remote control multi-purpose blender, I asked a shopkeeper.

"Americans," he said smugly.

Travel business

Malaise over the Med

DEMAND IN Britain for winter holidays to Mediterranean resorts seems to be suffering from the same malaise that has depressed demand for short-haul sunshine holidays this summer. Bookings for winter holidays, other than those to ski resorts, are running at a significantly lower level than at the same time last year.

The winter holiday market is much smaller than the summer one — about 2m packages are sold, representing a fifth of the total annual package holiday business — and in the past it has proved pretty recession-proof.

Winter holidaymakers tend, on average, to be older and less affected by high interest rates and mortgage commitments than those who book summer holidays. This is why tour operators, when launching their winter brochures earlier this summer, were confident that demand would remain healthy this winter even if consumers were less happy with summer tour packages.

"Demand for winter is down," admits Charles Newbold, managing director of Thomson Holidays, the largest tour operator for both the summer and winter markets. "While this has come as a surprise, we are confident that people are only delaying booking rather than deciding not to buy at all."

Others in the travel trade blame the exceptionally sunny summer in Britain for deterring early bookers of winter holidays. But Michael East, a travel consultant with Eastcastle Management, suggests that short-haul winter holidays could be going out of fashion. "It could be that those who traditionally saw short-haul winter holidays as being different from the mass market of summer packages are now becoming disenchanted with the whole idea of buying a tour to the Mediterranean in search of winter sun," he says.

His argument is backed up by the general buoyancy of long-haul winter bookings to the Caribbean and the US which are seen as more up-market than Mediterranean resorts. Specialist operator Caribbean Connection, for example, has sold over 60 per cent of its Christmas programme, compared with just 40 per cent at the same stage last year.

However, Newbold says: "We will cut back capacity rather than cut prices."

■ ■ ■

Buying a holiday or retirement home abroad is the dream of many Britons — yet for some the dream has turned into a nightmare. One British couple in their seventies, for example, have been forced to camp out in a rented flat now that their retirement home on Spain's Costa Blanca is on the brink of sliding into the sea.

Another couple are still living in Britain, having sold their home and business in the UK to buy what turned out to be an unfinished villa on the same Spanish coast.

Last year the Spanish parliament approved legislation allowing for the demolition of unauthorised development near the coastline. All this makes it vitally important that people planning to buy abroad should consider such a move very carefully, warns yesterday's edition of *Holiday Which?* magazine published by the Consumers' Association.

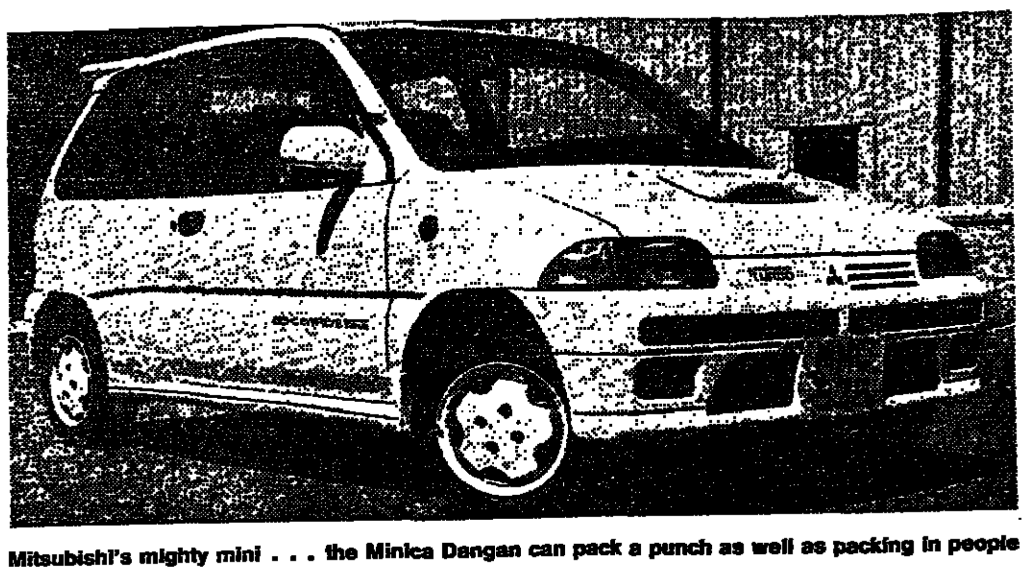
The magazine cites recurring problems such as builders going bankrupt, poor construction, and buyers unaware of outstanding liabilities against properties.

"Get expert and genuinely independent legal advice when buying in Spain," it recommends.

David Churchill

This 'Bullet' is bang on target

***Stuart Marshall** drives a mechanical jewel the Japanese are keeping to themselves*



Mitsubishi's mighty mini . . . the Minica Dangan can pack a punch as well as packing in people

IMAGINE a car that is just five inches (12.7 cm) longer than a Mini but seats four adults, sitting upright without their heads touching the roof, and has realistic luggage space. Powered by a 548 cc, three-cylinder engine with five valves per cylinder, fuel injection, turbocharging and intercooling, it burns about one gallon of unleaded petrol every 60 miles (4.7 l/100 km) in average conditions.

Around town, it is as gentle and featherlight to drive and park as the best of shopping cars. But use the five-speed gearbox freely, let the engine howl up to high revolutions (the tachometer is red-lined at 8000 rpm) and it goes like the Mini Cooper 1275S of blessed memory. Well, it does until you reach 87 mph/140 kmh. Then a governor cuts out the fuel injection.

Visibility is panoramic – there is no bonnet to speak of and the rear screen is like a picture window. Someone of my height (6 ft 2 in/188 cm) can settle comfortably behind the rake-adjustable steering wheel. In the back, given that the seat in front is not occupied by someone tall, he can sit with his head well clear of the roof.

Fold the rear seat flat and there is enough space for two sets of golf clubs in their trolleys. If you want it, this pint-sized wonder car is yours for just £4,540. The snag is that you have to live in Japan, because the Mitsubishi Minica Dangan ZZ is sold nowhere else.

The Dangan (the word means "bullet" in Japanese) is one of about a million baby cars sold there each year, all with engines below a legal maximum 550 cc. About 60 per cent of them are bought by women, though young males are taking an interest now that high-performers like the Dangan ZZ are available.

The cheapest Mitsubishi Minica – and there are 15 in the current range – costs about £2,300.

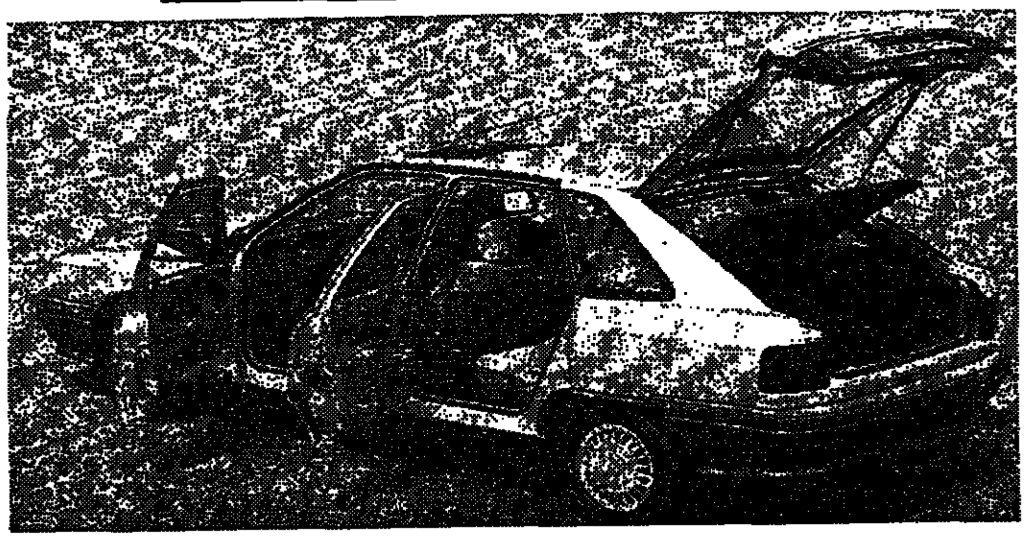
The Dangan's engine is a tiny mechanical jewel: the kind of thing a top Swiss watchmaker might produce if asked to diversify into cars. It has twin balancing shafts which damp out the vibrations found in three or four-cylinder engines. Whether making it pull quite hard in fifth, or urging it up to a joyous 7000 rpm, I would never have suspected it had only three cylinders. It ran more like an electric motor.

The Mitsubishi Minica is offered with five-speed manual or three-speed automatic transmissions, both with four-wheel drive if required. Electrically-operated power steering is also available.

I reckon 4WD would be very handy. On wet roads I often broke the grip of the ultra-low profile tyres when climbing a hill or making a smart getaway from the lights.

I can't think of a better city centre car than the ultra-quick, absurdly parkable,but incredibly spacious Dangan. No car I have had on test in recent years has attracted more attention from people in cars and pedestrians alike. The Dangan, and similar Japanese minicars, will not come to Britain or, for that matter, continental Europe, because Japanese car imports are restricted in volume. It makes more sense to bring in larger cars that generate more profit.

Their gain is our loss.



ON THE EVE of the biggest European motor show this year, which opens at Frankfurt next week, announcements of new models are coming thick and fast. Jaguar and Land Rover are keeping details of their revised XJ-6 and the new recreational 4x4 Discovery estate car confidential until Tuesday; Saab and Volvo, however, have both announced 2.3-litre, 16-valve engines for 1990 models that will be on sale in Britain soon. Saab's engine is brand new - the company's first for 15 years; Volvo's has been around for some months. Both feature twin balancing shafts for smooth running.

Audi has announced that its Procon-Ten safety system will be available on all 1990 models. It tightens the seat belts at the moment of a severe impact and pulls the steering wheel forward. Volvo's mechanical seat belt tightener will be on all 700 series cars for 1990.

Catalytic exhaust emission controls, though not yet required by law in Britain, will be no-cost options or standard equipment on many makes next year, Audi, Porsche and Volvo among them.

Renault, having launched its mid-sized 21 range nearly three years ago as a booted saloon only, has now added a hatchback (pictured above). Also new for the 21 are a 1995 cc diesel and a three-valves-per-cylinder 1995 cc petrol engine. This 140-horsepower unit goes into a 21 TXI hatchback.

Fiat, having made 4m Uno hatchbacks in less than seven years, will show facelifted and re-engined versions.

S.M.

Why prices vary so much

WHY does a Toyota Lexus, fully loaded, cost $35,000 (say £22,000) in the US when the probable UK price will be £32,000? And why are its BMW and Mercedes-Benz equivalents priced at around $65,000 (say £41,000)?

H.R. Johnson, of Chalfont St Giles, Bucks., asked these questions in a Letter to the Editor after reading my report on the Lexus LS400 (Weekend FT Motoring, August 19). He wondered if "the benchmark is high because of the inefficiency of UK manufacturing."

It is a perfectly fair question, but the answer, so far as the US v. UK Lexus price is concerned, is not straightforward.

In the first place, one has to ask if like is being compared with like. The Lexus LS400 to be sold in Britain from the spring of 1990 may be even more fully loaded with good things than the US car; the specification has not yet been settled.

I quoted the probable price as "between £28,000 and £32,000" (say $39,750 to $50,900), but have since learned that the UK importer is hoping to keep it below £30,000. It all depends on the chosen specification; for example, will UK market cars have conventional springs or costlier air suspension?

There is a sales tax in the US. but it does not amount to anything like the British rate of 10 per cent special car tax on the wholesale price plus 15 per cent value added tax on the combined total. Also, the US will take 40,000 Lexus cars (though not all will be LS 400s) per year compared with Britain's 800.

But, in a free market economy, all manufacturers, whatever they are selling, basically charge what the traffic will bear.

Quality cars are more expensive in Britain than in some other markets because companies buy them for directors or senior executives to drive.

Company tax allowances can be set against capital cost and running expenses. Often, what matters more than the price of the car is its effect on the user's personal tax liability.

What Britons might perceive as luxury, or at any rate well up-market, cars may be looked at differently in their homeland. In Britain, Audi, BMW and Mercedes are all reckoned to be fairly prestigious and a cut above the rest. They are, by any standards, excellent products, but their images (and their prices) also reflect a degree of exclusivity.

It is not the same in West Germany. There, more than 10 times as many Audis were sold last year as in Britain – 187,296 against 18,585. German motorists bought 180,644 BMWs, compared with 42,761 sales in Britain. And Mercedes-Benz sales in Germany were nearly 12 times higher – 281,995 registrations against 23,986.

Whatever is being sold, higher volumes usually mean lower prices.

Are UK prices a reflection, as reader Johnson wonders, of the inefficiency of our manufacturing? Is an air-conditioned, 2.7 litre V6 Rover Sterling automatic, fully loaded with extras, expensive at under £25,000? Or an entry model Jaguar 2.9 at a little over £20,000? I would have thought not, when an automatic Mercedes 300E is £26,500 and a BMW 530iSE £28,430.

But what price status? I pass.

S.M.

David Steel: full of promise as well as promises

The end of chapter one

***Malcolm Rutherford** on David Steel, the 'lost' politician*

AGAINST GOLIATH: DAVID STEEL'S STORY
by David Steel
Weidenfeld & Nicolson £14.95, 318 pages

DAVID STEEL has said that after he had finished his book, *Against Goliath*, he wished that he had called it My Early Years. And it does seem a bit odd that a man who has has played such a role in British politics for nearly a quarter of a century, and so full of promise as well as promises, should have retired from the front rank at the age of 51, still the Boy David.

"I have enjoyed considerable influence, if little power," Steel writes on the final page. It is a fair enough judgment. He has been a lucky man, as he freely admits. An unexpected by-election made him the youngest Member of Parliament in 1965. He drew a top place in the ballot for Private Members' Bills and sponsored the Abortion Act of 1967. By 1976 he was Party leader, largely because of the indiscretions (to put it mildly) of Jeremy Thorpe. That may have looked a bad time for the Liberals, yet such was the balance of power in Parliament that Steel formed the Lib-Lab Pact with Prime Minister Callaghan.

When the Labour Government was defeated and Mrs Thatcher became Prime Minister in 1979, Steel was still to be a beneficiary. Part of the Labour Party defected to form the SDP and subsequently the Alliance with the Liberals. Steel had long been close to Roy Jenkins, a principal architect of the new politics. He more than held his own with David Owen who took over from Jenkins as the the SDP leader. Yet somehow the new politics ended in tears.

It is often said that the Alliance failed in the end because the two Davids could not get on. From personal observation, that has never seemed to me entirely true. My impression is confirmed by this book. True, they were not – in Owen's phrase – "bosom pals," but they did have a certain mutual respect. There were times when Owen showed considerable understanding for Steel's position: for example, when Steel was defeated by the Liberal Assembly on defence policy at Eastbourne in 1986. "There but for the grace of God go I," said Owen at the time.

What they lacked, however, was a determination to work together day-in, day-out. Steel was mistaken to call for a merger of the two parties immediately after the general election of 1987 in which the Alliance had not done all that badly (23 per cent of the vote). Owen, whether out of arrogance or fatigue, temporarily opted out of the debate.

The results are well-known. There is now a Social and Liberal Democrats Party led by Paddy Ashdown and still quarrelling about its name, and a rump SDP led by Owen. Neither are doing well, nor look likely to do so. Some of the protest vote that used to go to the old Liberals now goes to the Greens.

Steel clearly has his regrets. One of the poignancies of his book is how quickly political names can be forgotten. Who now remembers Roderic Bowen, a Liberal MP since 1945 who who was passed over for the leadership in favour of Jo Grimond, and whom Harold Wilson wanted to make Speaker in 1965? Or even Bill Pitt, briefly the Alliance MP for Croydon when the new politics were at their peak?

Steel's reputation should survive longer and one hopes that this book is not his last word. "I would still like to serve in government," he writes at the end, "to put our ideals into practice." In 1989 it is terribly hard to see how that could happen.

Second-hand Street

THE RISE AND FALL OF FLEET STREET
by Charles Wintour
Hutchinson £16.95, 271 pages

DOES ANYONE still read Sir Philip Gibbs? Here's his 1920s romance: "To those who have never lived in the Street of Adventure [that's the title], having only passed down its highway to St Paul's or Charing Cross, it is difficult to explain the effect which its atmosphere has upon educated men of highly strung temperament. It produces something of the same symptoms of the drug habit. The victim loathes the poison, but craves for it . . ."

Charles Wintour, editor for many years of the *Evening Standard*, belongs to that old school – when it was bliss to be alive in El Vino with the first edition off the stone – before *Private Eye* turned it into the Street of Shame. He has written a readable, unashamedly secondary-sources tale of the publishers (*not* the editors) of Fleet Street before they disbanded, mainly to points east.

So we have the founder genius Northcliffe (who appointed his hall porter "head critic of advertisements"); Berry from Merthyr Tydfil whose three sons all became peers; Southwood of Odhams, the first Labour press baron; the stingy Cadbury; Beaverbrook who believed you can't run a good newspaper without extravagance (hear, hear!); Thomson, who couldn't bear to know how much his writers were paid (a strange affliction); Cecil King, who had to be introduced to the human race by his lieutenant Hugh Cudlipp; Victor Matthews, properly acknowledged here as the first to move in on the print workers; Vere Rothermere, who said "publishing is like presiding over a perpetual war game between management and journalists" (how true); Robert Maxwell – though Wintour curiously refuses to tell the tale of the disaster of the *London Daily News*; Rupert Murdoch – who, remember, nearly bought the *Observer* in 1976, which would have meant he could not now own the mighty cash cow called the *Sunday Times* . . .

Look at that list again and you will see what is wrong with the book. There remain a scamped 15 pages for the New Men who make sense of the title. Eddy Shah gets his few paragraphs, but where is the recognition of Conrad Black and Andrew Knight (who are transforming the *Telegraph*), of the *Guardian*, which to Wintour is somehow not "central" to the matter, of Andreas Whitham-Smith and his team who spotted the real lesson of the *fall of Fleet Street and* launched the *Independent*, and – it has to be said – of the FT. We are told that we fall outside the scope of this book because our "specialist nature" excludes us. What balderdash! Does the long-retired editor of a local evening tabloid not realise that we pioneered one of the necessary escape routes from the dead end of Fleet Street – the breakout into an international journal, printed round the world, of serious record and analysis? Is that of no significance in his parochial tale of life in EC4?

To return to Philip Gibbs: "Fleet Street! The Street of Adventure! What a legion of lost souls have passed this way!" Wintour has plenty of lost souls in his memoir of the *ancien regime* and a lot of the old anecdotes. Not much explanation of the "Fall" of the Street, even less of the future. Much more fun to go back to Gibbs – if you can find a copy.

J. D. F. Jones

A Booker prize-loser

THE BOOKER BOOK
by Simon Brett
Sidgwick & Jackson £11.95, 154 pages

THE BOOKER Book is about as funny as being hit on the face with a rotten fish – and equally unpleasant. It is not merely a silly book; it is a perniciously silly book, reinforcing prejudices about women and writing that one would be angry to find in the pages of a tabloid newspaper, let alone between the hard covers of a respectable publishing imprint.

The story follows Geraldine Byers from 1969, when the Booker Prize was inaugurated, to 1988. Geraldine, a Cambridge graduate from a wealthy Gloucestershire family, has published one novel, described as "promising" by the *Stroud Advertiser*. The Booker Prize becomes "a magnet for her literary ambitions," and year after year she re-writes her "magnum opus" in the style of the previous year's winner.

This device allows Brett to indulge his fondness for feeble parody. The whole is presented as a frank biography of Ms Byers written by her devoted and impossibly gullible friend, Mary Mott. Geraldine is vain, selfish, parasitic, humourless, talentless and pretentious. Her literary colleagues are either drunkards or equally absurd examples of self-promoting pomposity.

Publishers are lazy and inept or aggressively commercial, and literary agents are sharks. The only "goodies" are Geraldine's long suffering husband and his mistress, "a writer of crime novels . . . [whose] . . . only aim was to entertain by producing rather well written stories which people enjoyed reading . . ."

Brett's assumption is that no one could honestly enjoy reading Anita Brookner, Paul Scott, J G Farrell, William Golding, V S Naipaul, Iris Murdoch, et al. There is also a lot of sex because "serious writers" like Geraldine have to leave themselves open to new experiences in case such adventures should provide "material." Oh, God.

There is nothing like a bad joke for arousing moral indignation. *Simon Brett's smutty* schoolboy humour typifies the kind of endemic philistinism that makes the Booker Prize and all its hype necessary. I never thought that I would want to write an impassioned defence of the Booker Prize, its controversial short-lists, its quirky judges and its sometimes unlikely winners, but now I do. The only positive side effect of reading this awful book has been to confirm how important the Booker Prize is in bringing interesting new work to our attention. Long may it prosper.

Alannah Hopkin

Bridge

THOUSANDS OF points are lost daily at the bridge table. The four main causes of this are underbidding, overbidding, poor dummy play, and poor defence. Let us start with a hand from teams-of-four, where we study Underbidding:

	N	
	♠ A K 9 ♥ K 7 2 ♦ A 9 7 ♣ K 10 8 5	
W ♠ Q J 10 8 6 2 ♥ 6 5 ♦ J 5 2 ♣ Q 4		E ♠ 7 5 4 ♥ A 10 3 ♦ 10 4 3 ♣ J 9 6 2
	S ♠ 3 ♥ Q J 9 8 4 ♦ K Q 8 6 ♣ A 7 3	

With East-West vulnerable, North dealt and bid one club, South replied with one heart, North rebid two no trumps, and then South's four hearts, an extremely feeble effort, ended the auction.

In the other room the first three bids were the same, but after North's two no trumps South bid three diamonds, starting the slam quest. North said three hearts, but when South now said four clubs, the position was made clear. North showed his diamond control with four diamonds. The dealer bid a disciplined four hearts, but went six hearts after partner's cue-bid of four spades. A first-class sequence.

Now let us see South's excellent play: West opened with the spade queen, taken by the king, the two of hearts was led to the queen, and another heart went to king and ace. East returned a spade to 10 and ace, South throwing his club three, and the declarer drew the last trump. He then cashed ace and king of clubs, ruffed a club in hand, and played his remaining heart, discarding a diamond from dummy.

Now, had either defender held four cards in diamonds, a double squeeze was on, for the nine of spades was a menace against West, the 10 of clubs against East. As the cards lay it was not needed, but full marks to South for his fine play.

We turn to rubber bridge, and see what we can learn from Bad Dummy Play:

	N	
	♠ A Q 5 4 ♥ Q ♦ K 5 4 ♣ K 10 9 3 2	
W ♠ 10 6 3 ♥ A K 10 8 4 ♦ A 7 ♣ Q 7 5		E ♠ 9 8 7 ♥ 5 2 ♦ Q J 9 8 6 ♣ J 6 4
	S ♠ K J 2 ♥ J 9 7 6 3 ♦ 10 3 2 ♣ A 8	

South dealt at game to North-South, and passed, West opened with one heart, North doubled, and South, no underbidder, replied with two no trumps, North said three no trumps, and all passed.

West led the four of hearts. Taking with dummy's queen, the declarer led a club to his ace, and on this an alert West jettisoned his queen. Now the clubs could not be established without losing the lead to East, and the heart return enabled West to make three tricks in the suit and beat the contract with his diamond ace.

The contract is no certainty, but South could have done much better. At trick two he must lead the two of clubs from dummy, and finesse his eight. West takes, but has no good lead. South wins a spade return, cashes his club ace, follows with three rounds of spades, and cashes king of clubs. With the 3-3 break, nine tricks are safe.

Incidentally, if West opens with the heart king, which is surely correct, the declarer still gets home. He has to rely on the diamond king – he knows West must hold the ace – for his ninth trick.

The mind behind Superman

***Anthony Curtis** on the latest instalment of Michael Holroyd's biography of Shaw*

I ONCE asked Michael Holroyd how he initially approached the task of writing the life of an author so voluminous and of such active longevity as Shaw. "Well, first of all," he replied, "you set aside 12 years of your life for the task."

Holroyd gave ample evidence as to how fruitfully he spent those years in volume one. That volume took us from the Dublin of the 1860s into the London of the late 1890s. It traced the transition of Sonny (Shaw's family pet-name) into GBS, the metamorphosis of the boy clerk into the prolific journalist and critic, local politician and emergent playwright. It was especially skilful in untangling Shaw's family situation, the importance to him of the musical evenings which enlivened his youth, and the lasting hurt inflicted on him by the break-up of his parents' marriage, the eclipse of his real father, George Carr Shaw, by the over-powering music-teacher George Vandeleur Lee, the interloper in that marriage.

Holroyd showed with a wealth of revealing examples how much of Shaw's life and work could be interpreted as an acting-out of that early experience of the dominant interloper, and how much of the later public character of Shaw was modelled upon his memories of Vandeleur Lee.

When this second volume opens, with the publication of *The Perfect Wagnerite* and the concept of Superman already firmly entrenched in his mind, Shaw's journeyman years are behind him. The harsh Victorian era shades into the more opulent Edwardian period, and as Shaw reaches his mid-forties, his income from plays produced is rapidly growing and is under-pinned by the private wealth of his Irish wife Charlotte. The couple enjoy an apartment in London, which they retain even when they acquire a former rectory at Ayot St Lawrence in Hertfordshire for their main residence. They also own a motor-car in

BERNARD SHAW 2: THE PURSUIT OF POWER 1898-1918
by Michael Holroyd
Chatto & Windus £18.00, 421 pages

which they go on tours abroad.

Although working every day as hard as ever, Shaw is released now from the grind of weekly critical journalism, and able to concentrate his mind on writing plays. These are still a minority taste in a London theatre dominated by the likes of Pinero and Jones, but they are getting into production much more frequently than in the frustrating early years, while also being translated into French and German and produced in the US.

Nor does all this activity in front of the footlights mean that Shaw has stepped down from the political arena. Far from it, he is as deeply involved as ever in social questions and in the internal politics of the Fabian Society, arguing his corner with, on the one side, Sidney and Beatrice Webb, and on the other, jousting with a new member of comparable literary flair, H.G. Wells. These hotly contested debates with his kith and kin on the left are complemented by even more impassioned arguments in the open forum with his antagonists of the right in the bulky forms of G.K. Chesterton and Hilaire Belloc, performances repeated again and again by public demand and, however intellectually belligerent, never lacking in magnanimity.

As Holroyd says, by 1904 the word "Shavian" had become a part of common speech. The eccentric Irish genius who conquers the London literary world becomes the Shaw we all know and grew up with; the author of plays we have seen dozens of times and by which we have been by turns delighted and infuriated. But this progress towards maturity is not identical with the complete liberation of Shaw. If Holroyd's hugely rewarding and informative biography has a single foundation on which the whole massive edifice rests, it is that the pattern of childhood remained to re-assert itself again and again in the imagination and behaviour of the mature man.

To begin with, the marriage, so conducive to intensive literary production, was in other ways curiously barren; any kind of sex between the partners was from the start totally excluded. Outside of marriage Shaw was not unfaithful to Charlotte in the sense of having carnal knowledge of other women but if there is such a thing as verbal infidelity then, as his letters to Mrs Patrick Campbell showed, he was guilty of it on a grand scale.

Here again Shaw was walking in the steps of Vandeleur Lee, the interloper. This time between Mrs Pat and her second husband, the well-connected but in other ways dreadful George Cornwallis West. Holroyd sees a kind of aural echo of his double-barrelled surname with that of Freddie Eynsford Hill's in *Pygmalion*. That play's production marks, says Holroyd, the climax of Shaw's career as a writer of comedies, and it also marks the climax of this volume.

Mrs Pat, who was the play's star with Beerbohm-Tree, was far too old for Liza, and more of a tragic than a comic actress, yet scored a great success in the role. Holroyd sees in the Higgins-Liza-Freddie triangle a resurgence of the real life situation between the author and the actress and her new husband, and in the phonetics freak of a hero he sees Shaw wearing the mask of Vandeleur Lee wearing the mask of Henry Sweet.

Holroyd regards it as part of his brief to perform a biographical unlayering of the plays. He dissects them all in this way from an early work like *Caesar and Cleopatra* (where the irresistible tutor-figure has become the Roman emperor)

through such major works as *Man and Superman*, *The Doctors' Dilemma*, *Misalliance*, *John Bull's Other Island*. Whether or not you consider that all these biographical decodings really work, they remain fascinating.

Holroyd alternates from such underwater explorations of the murky depths of the sub-texts to recalling some of the more striking external events and exploits of his hero: his disastrous crossing of the Alps by car, his visit to Strindberg, his sitting for the Rodin bust in Paris which became a public spectacle. And Holroyd includes such minor pieces of history, involving Shaw's intervention, as the founding of the *New Statesman*, and the unsuccessful attempt to win a reprieve for Casement; and finally he gives us a complete picture of the reasons for Shaw's extreme unpopularity during the first world war because of the line he took and his cheerful refusal under extreme pressure to alter it.

Some readers have expressed their disappointment that this biography is not proving to be as exciting as Holroyd's earlier life of Lytton Strachey. If that is really so, the fault probably lies in the subject rather than the author. It is quite difficult to make attributes like celibacy and a phenomenal capacity for work seem exciting. Moreover, the people who were Shaw's intimates lack the lustre of Lytton's, as may be seen by comparing, say, Beatrice Webb with Virginia Woolf. And for those who might wish to read further, Holroyd is still keeping his sources close to the chest. Nonetheless, here is a richly satisfying feast for anyone who wants to learn about the man and the mind behind those millions of eloquent words on everything under the sun.

Real-life Quatermain

TO TERM anyone "a legend in his own lifetime" is to succumb to hyperbole and cliché. Still, readers can be forgiven for yielding to Stephen Taylor's thus high-flying description of Frederick Courtney Selous, the hunter and explorer who flourished in the Victorian era. Taylor, a South African-born journalist, has given us an exciting biography leaving us in no doubt that Selous was the stuff of which legends are made.

Born in London in 1851 of humble Channel Island roots, Selous was Daniel Boone, Buffalo Bill and Kit Carson rolled into one, except that his terrain was not America's wild west but the depths of David Livingstone's and later Cecil Rhodes' Central Africa. That Matabeleland and Mashonaland came to be called Rhodesia is a misnomer, for it was Selous and a handful other trail-blazers whose knowledge of the land made the Rhodes-led conquest of the 1890s easier.

It was stories of Livingstone's adventures that convinced Selous that his future lay in darkest Africa. And it was there he went in 1871 to make his fortune in pursuit of elephant tusks rather than digging for diamonds and gold.

Taylor points out that the concept of animal conservation virtually was non-existent then. But he makes no bones, so to speak, about the impact of years of plunder on the elephant herds. Arab slavers, operating out of Zanzibar, had been moving up to 400,000 lbs a year of ivory to European markets in the first half of the century, and Selous only got in on the tail-end of the action. His total bag of prime quarry was 106 elephants and 31 lions.

But in so doing, Selous established himself as an explorer *par excellence* who knew the land of King Lobengula far better than the king himself. For the most part, he

THE MIGHTY NIMROD: A LIFE OF FREDERICK COURTNEY SELOUS
by Stephen Taylor
Collins £17.50, 312 pages

got along well with the natives, taking, according to Taylor's research, an African wife, who bore him several children and stayed with him for a decade or more in the early years south of the equator.

A voluminous note-taker, Selous gained renown back in England with such works as *A Hunter's Wanderings in Africa* and *Travel and Adventure in South-East Africa*. He was probably the model of Allan Quatermain in Rider Haggard's *King Solomon's Mines*. Although apolitical, his need for a steady income caused him to fall under the spell of the ambitious Rhodes.

In 1890, while in Rhodes' employ, Selous safely led the first wagon train of more than 1,000 settlers, natives and militiamen, another 1,000 cattle and hundreds of horses on a months-long trek up through Bechuanaland, past Bulawayo and to what briefly became known as Fort Salisbury, now Harare.

It is doubtful anyone but Selous could have achieved the mission's objective without mishap. He returned to England, married Gladys Maddy, 21 years his junior, and with her returned to the ranch he had been given by Rhodes near Bulawayo, just in time for the bloody Matable wars against Lobengula.

He vigorously joined the battle, but quickly tired of Rhodes, Frank Johnson and Leander Starr Jameson and quit southern Africa for good in the late 1890s. His popularity temporarily waned because of his opposition to the Boer war and his belief that British annexation of the Transvaal would so sour relations that one day all of southern Africa would be lost to the Crown.

Although Selous became friends with Teddy Roosevelt and later hunted with him in East Africa, he became an ardent conservationist. Retirement, however, was not for him and he enlisted, at 65, in 1916 in Col Daniel Driscoll's brigade of frontiersmen to do battle with the German East African army. Selous, fighting with the vigour of a man 40 years younger, achieved the rank of captain, was awarded a DSO, but fell to a sniper's bullet on January 4, 1917 near the Rufiji River, in what is now Tanzania. The territory was subsequently declared the Selous Game Reserve.

Oddly, Taylor's biography is the first since J.G. Millais' somewhat hagiographic work published in 1918. Readers will find it was worth the wait.

Frank Gray

On the side of Pétain

IF THERE is one question that one hesitates to ask any French acquaintance over a certain age, it is not what did you do in the war, but what did you do under the Occupation? Even today, nearly half a century later, that question can still open the door on to an emotional minefield.

After the fall of France in 1940, the vast majority of the French were content to accept the leadership of the aged Marshal Pétain, but it is not a period they look back on with pride. When General de Gaulle issued his call for resistance from the BBC in London, it was easy for people in distant French colonies to sport badges of the hexagon inscribed "France Quand Même" and vow to fight on, but for the inhabitants of metropolitan France it was simply not a realistic option.

This did not mean, however, that they were not placed in an acute moral dilemma. It is Allan Massie's great skill as a novelist that in this multi-layered story he has cast light on many dark aspects of that dilemma, and has managed to show how a man of honour could support the Vichy regime while contending with an inner conflict of loyalties that finally leads to his destruction.

Lucien de Balafré, who becomes Under Secretary for Education in the Vichy Government, is the man in question, but his character emerges only slowly as his son, Etienne, tries, with the help of autobiographical fragments left by his father and the often contradictory testimony of family and

A QUESTION OF LOYALTIES
By Allan Massie
Hutchinson £12.95, 360 pages

friends, to retrace the stages of his father's career. Lucien, it emerges, is neither hero nor villain. In spite of his adherence to Vichy, he has no illusions about Hitler's New Order — he speaks of the SS in their black uniforms as "a vile parody of the Teutonic Knights of whom I dreamt" — and his greatest friend, the German Count Rupert von Hülenberg, is brutally executed for his part in the officers' plot against Hitler. Lucien's own vision has been of a very different, Christian Europe, but as the war nears its end he abandons hope in what he calls the European idea.

One of the cruellest consequences of France's defeat was that it thrust members of the same family into opposing camps. Lucien's brother Armand joins the Free French in London. The bitter legacy of collaboration is brought home to the narrator, Etienne, when he falls in love after the war with a young girl called Freddie (and rarely has the burgeoning of young love been more touchingly described), only to discover that her Jewish mother has died in the camps and that her father, who has always detested the collaborationist Lucien, will never consent to their coming together.

But this brief outline cannot convey the complexity of a story which shuttles back and forth in time, which brings in historical figures such as Pétain, Laval, de Gaulle, Colette, Drieu la Rochelle and Robert Brasillach, and involves a large cast of characters — husbands, lovers, wives, mistresses, friends and enemies — in an intricate web of passions, rivalries, loyalties and betrayals. Above all Allan Massie's imaginative gift, including a certain unblinking and weary cynicism about motives, seems to me profoundly European; and in that, he recalls an earlier writer, Ford Maddox Ford, whose novel *The Good Soldier* has been described as the best French novel in the English language.

Erik de Mauny

CRIME

A PERFUNCTORY performance by Detective Superintendent George Rogers in A Time For Dying (Constable £10.95, 186 pages) and also by his creator Jonathan Ross. Murders in the world of drugs. The chief victims not only despicable but, worse, uninteresting. Interlarded with tedious description of Rogers's unappealing sexual appetites, the investigation plods forward at a leaden pace. When a murder story is well-told, the reader will forgive a good deal of bad writing. otherwise, sentences like "Halfway into his overcoat, his telephone bell rang" set the teeth on edge; and in this book they are frequent.

By contrast, Death on a Hot Summer Night (Collins £10.95, 206 pages) is a wry, enjoyable début from Australia, with plenty of atmosphere and local colour as well as an array of cleverly-chosen and well-portrayed characters (including an attractive cat). Anne Infante still has a few things to learn about constructing novels, especially about point-of-view (she shifts awkwardly from first to third persons — in one chapter the cat perceives the action): but she already knows how to invent a story, and she has an attractive, breezy, no-nonsense style.

William Weaver

Fiction

Shoot-out saga versus minimalist murder

PICTURE THIS. You are a New York gangster of the 1930s, and the legendary Dutch Schultz has decided to rub you out. At gunpoint, he forces you onto a tugboat and makes you take off your shoes, prior to receiving a new pair made of wet cement. In mounting horror, you do as you are told and stare unbelievingly at your bare feet, oblivious to the gaze of a 15-year-old observer, who records the incident thus:

"I felt I had to commiserate with what I was sure he was thinking, that for all our civilisation we go around on these things that are slit at the front end into five unequal lengths each partially covered with shell."

BILLY BATHGATE
by E. L. Doctorow
Macmillan £12.95, 323 pages

FALLING
by Colin Thubron
Heinemann £10.95, 152 pages

ALL YOU NEED
by Elaine Feinstein
Hutchinson £11.95, 219 pages

THE GENTLEMAN'S MAFIA
by L.M. Shakespeare
Macdonald £11.95, 287 pages

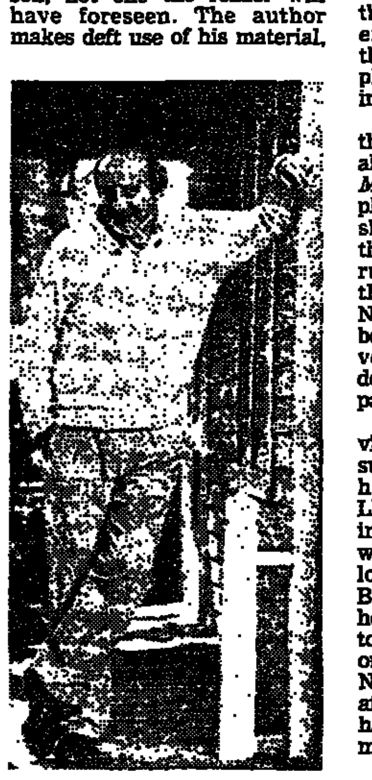
So begins *Billy Bathgate*, by E.L. Doctorow, a wonderfully entertaining novel which has been on the New York bestseller lists for several months this year and deserves every bit of its success. It is a splendid piece of work, feisty and full of life, the story of a 20th century Huckleberry Finn, relocated in the Bronx and told in the style of Damon Runyan.

Billy is an apprentice hoodlum, who has caught Dutch's eye and works as a runner for his gang. He is entrusted with all sorts of important tasks, everything from hiding money to looking after Dutch's moll, formerly the moll of the cement victim. His work takes him from the Bronx to Onondaga — Billy's first visit to the country; he knows it's the country, because everything is black at night — and back again to New York. It encompasses a three-day brothel party on the way, a marvellously grisly barber shop murder, and ends, as in real life, with Dutch's death in a shoot-out with rival mobsters.

There ought to be more to it than that, but there isn't. Doctorow has simply taken the known facts of Dutch Schultz's life, including the police transcripts of his delirium as he lay dying, and with a few embellishments of his own has turned them into something really rather exotic. As gangster novels go, *Billy Bathgate* is enormously gripping. The only serious charge against it is that the sentences go on far too long, and the paragraphs even longer — often pages at a time.

Colin Thubron's *Falling* is written in a very different idiom. It is minimalist, rather than lush, and there is never any danger of the paragraphs going on too long. The plot revolves around a provincial Hampshire journalist, sent to write a feature on a travelling circus, who falls in love with the show's trapeze artiste and becomes physically obsessed with her.

This is *Blue Angel* territory to a certain extent, but with a different kind of ending — and indeed beginning. The story opens with the journalist in prison on the first day of his sentence for an unspecified crime. Later, it transpires that he has killed the trapeze artiste. Later still, that he killed her for a very good reason, not one the reader will have foreseen. The author makes deft use of his material,



E.L.Doctorow

and if the rhythms of his dialogue sometimes seem too formal or stylised, that is only a minor niggle in an otherwise cool and authoritative work.

Elaine Feinstein has recently moved from Cambridge to London, something she has in common with the heroine of her latest novel *All You Need*. There the resemblance ends however, for Nell's husband has gone to prison in unexplained circumstances and she has been left alone to bring up a rebellious daughter and survive in the capital as best she can.

She begins by going to work for a feminist arts group, progressing from there via poetry to the world of television and an affair with a BBC producer. All of which would make for a perfectly satisfactory mid-life crisis, were it not for the suspicion that her husband has been framed and shouldn't be behind bars at all.

His imprisonment in fact forms the most puzzling aspect of the book. It is dealt with very cryptically at the beginning, and surfaces again only spasmodically until near the end. One explanation might be that the author didn't want to be caught writing a novel about divorce in NW1 and popped her man into the nick instead. Whatever the reason, the novel works very well otherwise, and has some good things to say about media people and the state of feminism in Mrs T's Britain.

L.M. Shakespeare has good things to say too, though not about Lloyd's, *The Gentleman's Mafia* in Lime Street. The place is full of high rollers, if she is to be believed, all of them jetting across Europe and running expensive yachts on the backs of their external Names. And of course she is to be believed, because there is very little in this book that doesn't seem to have a close parallel in real life.

James Ross-Gilbert is the villain. Threatened with exposure by a Sunday newspaper, he gets the Chairman of Lloyd's to kill the story by having a word with the editor, whose brother-in-law is a fellow mason. When even the Brotherhood can no longer help him, he flees to Bermuda to escape detection, but reckons without Lord Allanport, a Name facing ruin, who chases after him with a gun. What happens then ought to happen more often in real life.

Nicholas Best

Oriental industry

IN JULY an opinion poll for *Business Week* found that 68 per cent of a sample of Americans thought the Japanese economy a greater threat than the Soviet military.

Japan seems to have taken the place in the collective subconscious formerly occupied by The Bomb and Communism. Western paranoia over the "superhuman" Japanese has scarcely been denied by westernising trends within the country nor by the knowledge that Japan itself is struggling against competition in its own Asian backyard.

Indeed, in the US there is a growing body of reputable opinion which says the Japanese will never be able to play by the international trading rules and should be treated henceforward as a powerful maverick, subject to commercial counter-offensives as severe as possible within the political limits.

The theory is that Japan is disbarred by its very culture from becoming a true member of the free-market capitalist club. Of course the country is changing, and of course it is playing a larger part on the world stage. But any hope that the Japanese are becoming "more like us" is wishful thinking.

Anything, therefore, that helps de-mythologise Japan or explain its industrial success can be sure of a ready audience. In this respect, Marie Conte-Helm's attractive and unusual book leaves the reader feeling somewhat disappointed.

In telling the story of Japan's long but little-known association with the North East, she reminds us that industrial Japan is older — and its emergence more startling — than most people recognise.

Frozen in feudal isolation for 200 years, Japan suddenly awoke to the modern world in the 1860s with the Meiji Restoration. The new government was quick to despatch missions to the West to learn about coal-mining, engineering, ships and guns. The envoys were drawn particularly to Newcastle, where Sir William Armstrong was building his famous arms and engineering empire.

When, in 1905, Admiral Togo shattered the Russians with a navy built largely on the river Tyne the Geordies celebrated as if the victory had been their own. The crew of the first Jap-

JAPAN AND THE NORTH EAST OF ENGLAND
by Marie Conte-Helm
Athlone Press £18.00, 240 pages

anese warship to visit the city were welcomed with civic banquets and tickets to the Newcastle-Stoke football match.

Almost exactly 100 years after their first reconnaissance missions to the area as eager pupils, the Japanese returned as investors and teachers. This time they were attracted, not just by investment subsidies but by the large pool of skilled workers, many of them displaced by the collapse of shipbuilding and heavy engineering in the face of Japanese competition.

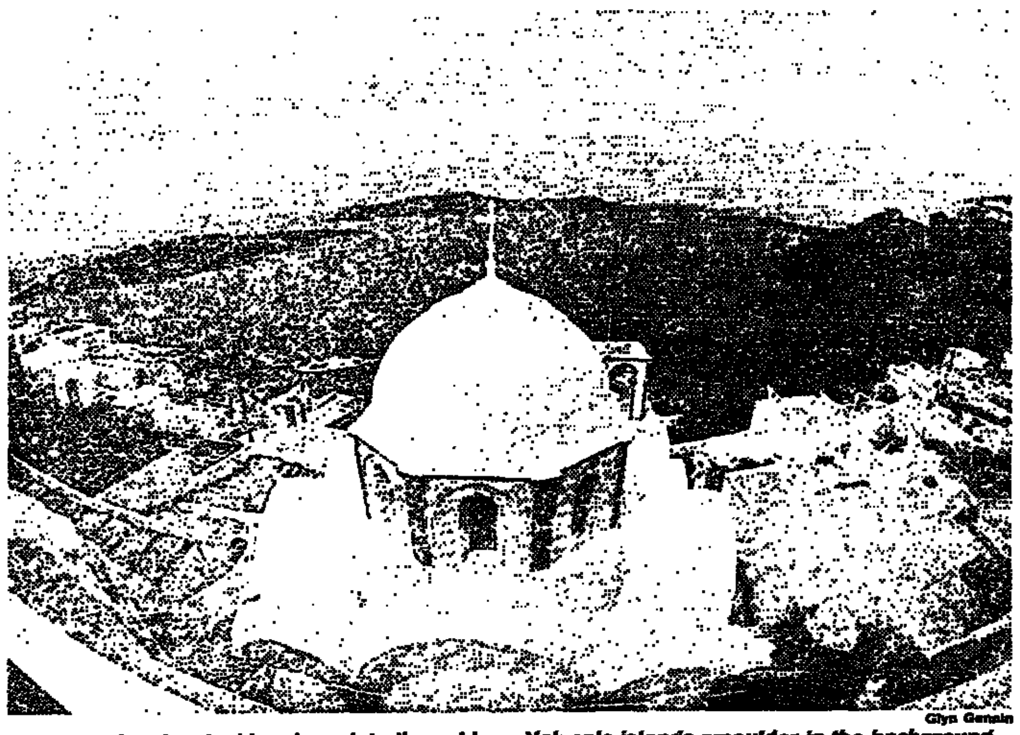
The first to set up a factory in the conquered region was NSK, the ballbearing manufacturer. But the big prize was the Nissan car plant in 1984, setting the seal on a new and very different relationship.

Ms. Conte-Helm concludes her story by describing the efforts made on both sides to overcome cultural barriers — work in which she herself is much involved. Although she has given the Japanese in England a human face, she draws few conclusions from her own experience.

It may be too early to say what, if anything, each party is really learning from the other. But I suspect that observers of the Japanese phenomenon who have no special interest in this region of England will want to wait for the sequel. The subject certainly deserves one.

Christian Tyler

DIVERSIONS



Santorini: the view looking down into the caldera. Volcanic islands smoulder in the background

Glyn Genain

A theory that could change history

***Gerald Cadogan** reports from Santorini*

MOST DRAMATIC of Greek islands is Santorini (Thera). It blew up around 3,500 years ago. Go by boat and you sail into the caldera (crater) of a mighty volcano. Pumice cliffs tower above you. On top are white-painted towns and villages. In the middle of the caldera two black lava islands are the new volcanic cap that can still explode again. Warm underfoot, they smell of sulphur and are sinister.

This week the old big bang reverberated again round Santorini as 150 archaeologists and scientists met for a once-a-decade conference, invited by Petros Nomikos. It is a unique gathering as it brings together absolutely everybody studying Santorini.

Meeting in a restored pink mansion on the cliff edge, we have been looking down into the caldera and arguing about the explosion's precise date in the light of new information about the island and its brilliant civilisation that vanished beneath ash.

In this prehistoric Pompeii, the island's wall paintings, preserved by volcanic ash, have been a revelation of how sophisticated very early art in Greece was, while countless details of daily life still survive. Minoan Crete has nothing so well preserved. Santorini gives the clues to what is missing elsewhere in the Aegean.

This week has seen the death of the idea that the eruption of Santorini caused the destruction of the palatial civilisation in Crete. Proposed in 1939 by Spyridon Marinatos, and revived in the 1960s when he started digging beneath the ash, it became a popular theory and was linked to the myth of the lost world of Atlantis – its devotees among the public seemed to be looking for a golden age when people did not do nasty things like make war. Two strands of evidence have now killed it.

First, thick volcanic ash has been found on east Aegean islands and even inland in Turkey, 320 kilometres distant. The west wind was blowing when the volcano erupted but some ash went south and reached Crete – the eruption must have been horrific there – the Cretans would have seen a column of ash reaching 30 km up into the atmosphere ejecting around 30 cubic kilometres of material, including thousands of tonnes of sulphuric acid.

Second, some ash did get to east Crete, where it is not in the main Cretan destruction level but underneath it, meaning it is earlier. Excellent evidence for this turned up a few weeks ago at Mochlos, the small island off east Crete.

When did Santorini go bang? The accepted date has been 1500 BC. Radiocarbon dates have hinted that it might have been a century earlier but until recently one could argue there were special reasons to doubt them.

Now the matter is up in the air – but not lost in smoke – thanks to the study of tree rings. These annual growth marks show that in 1627 BC, precisely, bristlecone pines in California suffered severe frost damage. What caused it? The answer seems to be connected with a volcanic eruption which released dust into the atmosphere, probably in 1628. We know from nuclear explosions that such dust spreads quickly around the world and stays up a long time. It shuts out the sun and the earth is sharply colder. This is called the veil effect. For a few years regular patterns of weather change – as seems to be the case in California.

Last year Ireland produced startling confirmation of California's frost damage. In 1628 BC, and for a few years after that, Irish bog oaks barely grew. The annual rings are paltry. The veil had made Ireland rainier than ever. That swamped the roots and stopped growth.

Two years ago the ice pack of Greenland produced another surprising bit of evidence – an intense amount of acidity in the snow of 1645 BC (or up to 20 years before or after). The acid in acid snow and rain is sulphuric. The error limit means this may have come from the same 1628 volcano.

So did Thera blow in 1628 BC? Yes, said the bog oak expert Dr Michael Baillie, of Queen's University Belfast, at this week's conference. The weight of evidence demands, in his view, that we tie 1628 to Thera. It is the best working hypothesis, and the proper thing in science is to accept that, until new evidence comes to change it.

Those against dismiss the ice and tree results as "proxy data." Certainly they point to a volcano, but how do we know it was Santorini? Other volcanoes could have erupted elsewhere in the world, ones we do not know about. Anyway Santorini did not produce enough sulphuric acid to match what Greenland shows, nor was its explosion quite so huge as used to be thought.

The general view? A straw poll of the experts here showed the majority undecided. How would it affect history if the bang was in 1628 and not in 1500 BC? It would mean changing the chronology that holds everything together. That would have an immediate impact on the history of culture, art, society and technology. The number of stages and changes would be the same, but they would have to be concertinaed. Santorini's art would blossom sooner, to be followed by a long quiet period, for what most see now as a lively time in the 15th century BC.

My view? If the new dating is right I shall have to rewrite much in my book on Crete. Meanwhile, I cannot wait to return to Santorini. Its prehistoric town is a find to rank with Knossos or Tutankhamun. And there is life in its volcano yet.

Eating Out

First, find a French chef

EIGHT YEARS running a busy restaurant with 400 customers a day can leave you jaded and sceptical; not just towards the general public, but also towards your competitors. I learned the hard way. Three days and four good meals in a small, delightfully-run hotel can dispel such thoughts.

The hotel I am writing of started with a great advantage; we had no idea what it would be like when we made the booking. No expectations and, therefore, nothing to lose.

What convinced me of the extraordinary nature of the family who ran the hotel was not just the quality of the food, the warmth of the welcome and the surroundings, but the hours they worked in a week.

Agnes and Jean-Pierre Gonzalvez, of Le Relais du Val d'Orbieu, Ornaisons, near Narbonne, in the Languedoc, have enviable energy levels, quick but sincere smiles and are both thin as rakes. This is no reflection on the quality of the food they offer but is a common feature among those who work in the restaurant and hotel trade.

As food is so immediately accessible they come almost to ignore it, stopping just to taste a sauce, try a roll of bread as it comes out of the oven or adjust the garnish on a plate en route to the table.

Rising fixed overheads are forcing hotels to open for longer and longer throughout the year. M Gonzalvez says he took 10 days in February and could not afford to close for longer.

Other than Madame Gonzalvez, who fills the roles of interior designer, receptionist, head chambermaid and bookkeeper, and his daughter, who doubles as chambermaid during school holidays, M Gonzalvez's key staff are his gardener, Pierre, and his chef.

If he closed for longer than he did, he added, they would quickly be poached by another hotelier.

His chef, Jean-Pierre Robert, is worth holding on to. In a recent issue of Gault-Millau, the most *au courant* guide to French gastronomy, he was awarded 16/20, with the remark that he would feature prominently next year.

He is the antithesis of the rising star: aged 52, he has been a chef in the grand hotels on the Cote d'Azur for the past 30. He wants to end his career in a smaller kitchen, and has bought a house close to the hotel for his eventual retirement. Now that he has settled in, the food and its presentation show the marks of a true professional.

We should have realised this even before we ate our first meal.

As we sat on the terrace on the first very hot evening there was considerable commotion between the drive and what was obviously the back of the kitchen. The temperature inside the kitchen had risen so high that a young commis chef had collapsed. Despite the confusion this caused, as well as the inconvenience of a doctor in the kitchen, the service carried on without a hitch. And the commis chef was back two days later.

There is a seasonal menu and two gastronomic menus at FFr 250 and FFr 175. The hotel's proximity to the sea makes its fish dishes particularly appetising; very well executed first courses were a minestrone with shellfish, a salad of langoustines and a wonderfully creamy mousse of salt cod and olives. Main courses included extraordinarily fresh palangre, a local, firm white fish, cod en croute with a chive sauce, and John Dory, as well as a cleverly-cooked duck with melon and spices and an original tournedos of oxtail and mushrooms. Local cheeses number about 30 and the desserts are to the same high standard. M Robert should live to a ripe old age.

So, too, should M Gonzalvez, if only to enjoy some of the wines he is laying down so conscientiously. The son of a vigneron himself, he is now the proprietor of an hotel situated in the heart of the rugged Corbières, and he is visited daily, it would seem, by local wine producers.

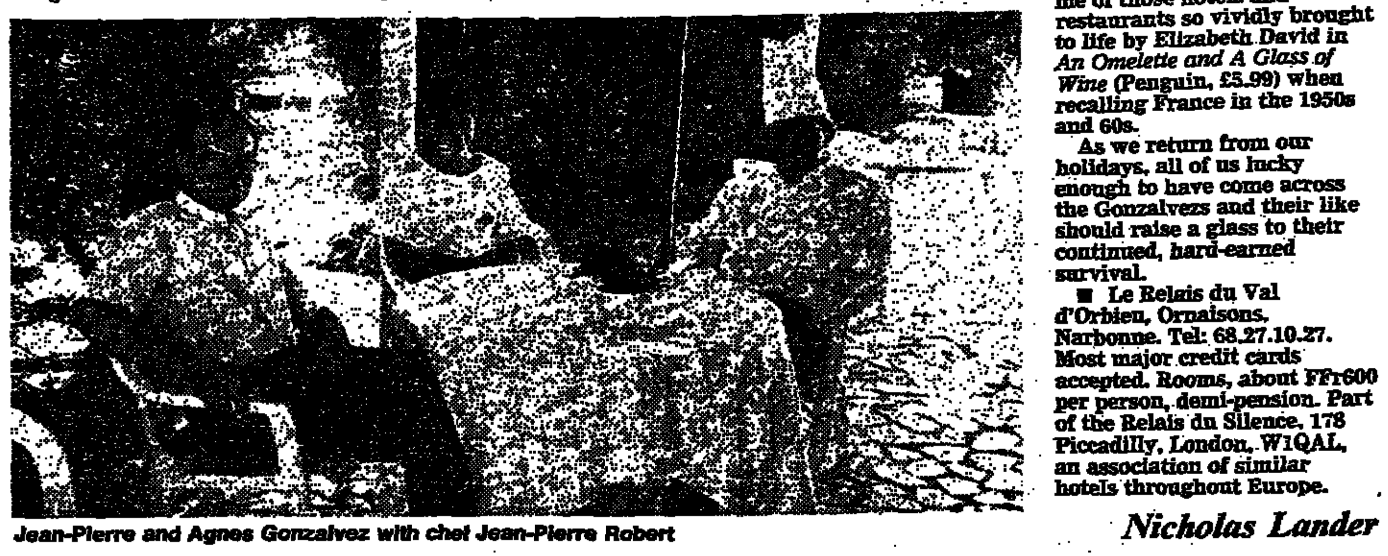
Once he knew we were interested in wine, choosing became very difficult. Once we gave him our order he told us that someone had come in that morning/afternoon and he had bought a few bottles of their special cuvée and had stood one up for us.

In the evening, the number of diners is intelligently limited to about 40 to minimise the strain not only on the kitchen but also on the waiting staff. More importantly, it reflects the attention and quality of service the Gonzalvezs wish to offer their customers. This is an attitude that seems no longer common and reminded me of those hotels and restaurants so vividly brought to life by Elizabeth David in *An Omelette and A Glass of Wine* (Penguin, £5.99) when recalling France in the 1950s and 60s.

As we return from our holidays, all of us lucky enough to have come across the Gonzalvezs and their like should raise a glass to their continued, hard-earned survival.

■ Le Relais du Val d'Orbieu, Ornaisons, Narbonne. Tel: 68.27.10.27. Most major credit cards accepted. Rooms, about FFr600 per person, demi-pension. Part of the Relais du Silence, 178 Piccadilly, London, W1QAL, an association of similar hotels throughout Europe.

Nicholas Lander



Jean-Pierre and Agnes Gonzalvez with chef Jean-Pierre Robert

Food for thought

Spanish cheese, please

CHEESE AND culture are inseparable. A variety of cheeses is a measure of the breadth of culture and philosophy of a country. Spain's cheeses reflect the unknown Spain: the mountain ranges of the north, the islands of the east, the wet Atlantic pastures and the vast arid central plateau.

Now is the moment to look at Spanish cheese. Full membership of the European Community has lifted all but a few of the remaining restrictions on importing Spanish food. And Spanish food is bound to become a new fad among small importers.

Another factor which will help Spanish cheese, is the fact that the Spanish authorities were among the first to create an *appellation controlée* system for their cheeses as early as 1974. The first cheeses to benefit from this protective measure have been Roncal from just below the Pyrenees: Maho'n, from Menorca; Cabrales and Cantabria from the Asturias; Idzabal, as its strange name implies, from the Basque country; Ziebana from the Picos de Europa and, the most famous of all Spanish cheeses, Manchego from la Mancha.

Until now the import of Spanish cheeses has been on a small scale in order to supply the Spanish ex-patriot community. With the tapas-bar fad, however, interest has picked up in Spanish gastronomy and one or two people are now beginning to interest a wider public in these cheeses.

One of these is Monika Lavery, of Brindisa Ltd, who, after reading Spanish at London University, went to live in Spain and returned with a passion for its food, particularly cheese and wine. She imports both. She will be concentrating for the time being on cheese as it will be a few months before the restrictions on meat products are finally lifted.

Manchego is the cheddar of Spain, made from ewes' milk from the vast arid central plain of Castille. Cheeses made from a mixture of cows' and ewes milk exist and are called Manchego but they are not considered to be the real thing by people who know Manchego cheeses. Manchego truckles come at about half the size of a Stilton and they are aged for anything between five months to a year. In all except the one-year-old cheese the milk is pasteurised.

Monika Lavery brings in both cheese from a big cooperative dairy and from a small artisan cheese maker who cans his cheese in olive oil. I tasted cheeses at five, seven and 12 months. The youngest cheese was the blandest, with a flavour of overcooked mince – well at least I thought so. The tangy ewes' milk flavour was more present in the seven-month cheese. The best was the tangy, 12-monther.

A great surprise was the Minorcan cheese, which is made from Friesian cows milk. The story goes that it was created in imitation of cheddar during Britain's brief occupation of the Balearic island in the 18th century. It certainly doesn't taste like cheddar, being strong and nutty with a great bite, requiring a wine of "size" such as an old Chateauneuf-du-Pape.

San Simon from rainy Galicia looks like a howitzer shell. It is slightly smoked and very creamy – as you would expect from these verdant pastures. Also from Galicia is the Tetilla which is shaped like a breast. It is a very bland cows' milk cheese which is traditionally consumed with quince paste or *dulce de membrillo*.

Neither of the Galician cheeses has the *Denominacion de Origen* as yet, nor do Monika Lavery's goats' milk cheeses. The *crema de queso pura de cabra* (cream of pure goats' cheese) was anything but mild. Not, I think, a cheese for the faint-hearted.

It is clearly the time for us to start exploring the Spanish hinterland. For those with no time for that, Harrods, the London Cheese Centre, in Goodge Street, and Products From Spain in nearby Charlotte Street can provide you with a tempting sampler.

Giles MacDonogh

Claret recovers . . . just

ALTHOUGH CHRISTIE'S and Sotheby's wine departments had varying fortunes in the 1988-1989 auction year both report favourably on the improved trend in the London salerooms. Christie's total for the UK, including buyers' premium, rose to £6.38m. (up 8.6 per cent on the previous year), with a further £2.58 m for sales in Chicago, Geneva, Amsterdam, Tokyo and Bordeaux.

However, Sotheby's net turnover of £3.01 m was 16.6 per cent down on the same period, influenced perhaps by one fewer UK sale than in the previous year. (They do not provide separate turnover figures for their auctions in Geneva, Amsterdam and Tokyo, and will not hold US auctions until the licensing regulations permit in New York, where wine merchants bitterly oppose them.)

However, Sotheby's reports that "there is little doubt that the wine market has recovered from the slide that began in the summer of 1985. All good vintages prior to 1980 appear to be in strong demand."

Nevertheless, as the accompanying tables demonstrate, comparing the top prices in 1985, the peak year, and those for this year's seven-month season, the leading clarets and vintage ports may have recovered but the figures show none of the exuberance that marked the first half of the present decade.

For example, between 1981 and 1985, Lafite '61 rose from a top price of £1,080 a dozen to £3,200 and Petrus '61 from £2,960 to £9,500, but neither price has since been reached. Some of the most sought-after second echelon clarets have done better since 1985, with Ducru-Beaucaillou rising from £340 to £1,000 and Palmer '61, generally now reckoned on a quality level with the first-growths, from £850 to £2,500; but these are exceptions.

For the '70s the first-growths show rather more recovery, though not much movement in the last 12 months, but there has been a distinct falling-off of interest in their '75s – the first vintage of acclaimed fine quality since 1971 – and no more than moderate increases in the other classed growths, except for La Mission-Haut-Brion which in July reached £1,100.

The firsts of 1978 (usually accepted as the best vintage of the decade) have generally failed even to double their prices since they first appeared in the saleroom in 1982. Here too the seconds and Palmer have done rather better.

The vintage that first caught the near-frenzied attention of the US market was 1982. The first-growths, that initially in 1983 opened their ex-chateau prices at Ffr 2040 a case (then £175) had all sharply risen in price by 1985, as the table here shows. Ducru-Beaucaillou and Leoville-Las-Cases, that opened ex-cellars at Ffr 840 a dozen (£72) and at an opening British retail price of about £120, had also more than doubled two years later.

The other popular investment wine is vintage port, and the table shows that prices have not advanced much since last year. However, as demand is very limited for vintage port, especially in the US, prices did not decline sharply in 1985 like claret, although the '63s and '66s tended to fall and are not all that higher four years later. There are bargains to be had in the sale room for vintage port addicts.

Two factors contribute to the optimistic atmosphere in the saleroom. First, after the decline, estimated prices were lowered and vendors were usually persuaded to be cautious over their reserve prices. So very large percentages of lots have been sold (in Christie's King Street between 91 and 92 per cent). Secondly, when prices are compared with those of 1985, it is well to bear in mind that in the four years inflation has risen by 22 per cent.

It was not a very exciting year for individual sales, but two notable collections were auctioned. The first in October '88 was the second part of the private cellar of La-Mission-Haut-Brion belonging to the Woltner-Dewavrin family after the disposal of the chateau to Haut-Brion in 1983.

A saleroom battle between a private Norwegian collector and a Bonn wine merchant meant some astonishing prices were paid. After single bottles of 1877, 1888 and 1889 fetched £350, £230 and £310 respectively, magnums of 1921, 1926, 1929 and 1947 made £570, £600, £920 and £780. The sale total was £158,000.

Then in December Sotheby's sold a remarkable range of 51 vintages – from 1900 to 1950 – from the celebrated Rioja house of Murrieta. The top price of £880 was paid for a bottle of white 1913.

Among rarities, Christie's sold a single bottle of Yquem 1811 (the "comet" year) for £15,000 and a half-litre of white Chartreuse, made in the mid-19th century, for £1,550.

Sotheby's sold single bottles of Yquem 1845 and 1846 each for £1,760 and an imperial (eight bottles) of Latour '61 fetched £3,740.

Prospects for the season opening later this month are considered promising. Christie's starts with an unusual sale of a cellar of a Danish castle, with nearly all the wines Danish-bottled.

If the rise in the US dollar is maintained this will encourage American intervention. Vintage port prices should improve. Already there is no lack of demand for wines of all types and classes at current prices, but any substantial investment/speculation buying seems highly unlikely.

Edmund Penning-Rowsell

FIRST AND OTHER LEADING CLASSED-GROWTH CLARETS

		£ per dozen 1985	1989			£ per dozen 1985	1989
1961	Lafite	3,200	2,200	1982	Lafite	680	720
	Latour	2,500	2,400		Latour	540	680
	Mouton-Rothschild	3,000	2,400		Mouton-Rothschild	715	820
	Petrus	9,500	8,700		Petrus	2,750	2,800
	Ducru-Beaucaillou	840	1,000		Ducru-Beaucaillou	320	290
	Leoville-Las-Cases	720	800		Leoville-Las-Cases	300	360
	Palmer	2,700	2,500		Palmer	360	400
	Pichon-Lalande	720	–		Pichon-Lalande	320	350
1970	Lafite	980	750				
	Latour	760	820				
	Mouton-Rothschild	840	580				
	Petrus	2,300	2,450				
	Ducru-Beaucaillou	440	460				
	Leoville-Las-Cases	380	380				
	Palmer	700	720				
	Pichon-Lalande	360	400				
1978	Lafite	700	560				
	Latour	580	660				
	Mouton-Rothschild	700	500				
	Petrus	1,250	1,550				
	Ducru-Beaucaillou	240	270				
	Leoville-Las-Cases	250	280				
	Palmer	400	340				
	Pichon-Lalande	280	460				

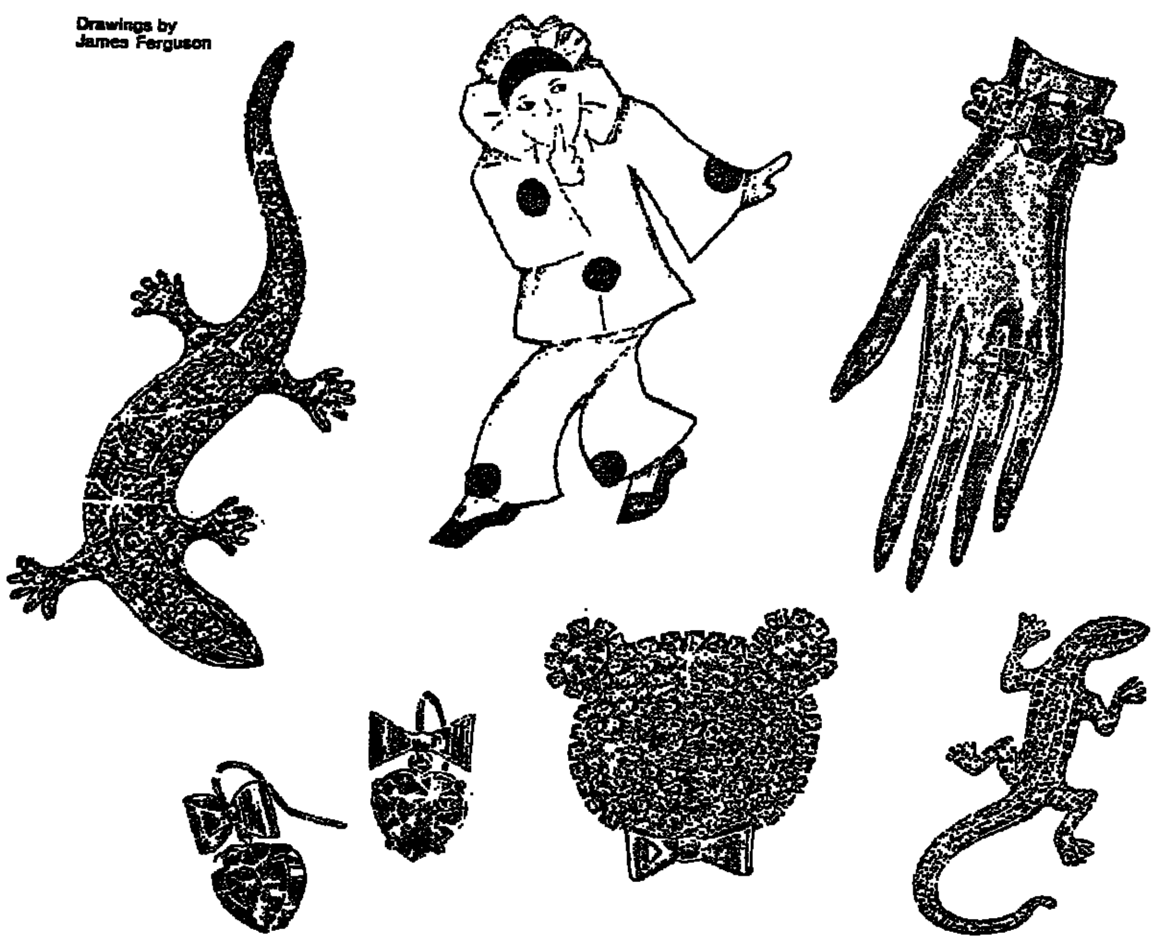
VINTAGE PORTS

		1985	1989
1963	Fonseca	540	600
	Graham	400	460
	Taylor	520	550
1966	Fonseca	270	280
	Graham	280	260
	Taylor	290	280
1970	Fonseca	300	240
	Graham	240	250
	Taylor	280	300
1977	Fonseca	200	270
	Graham	220	250
	Taylor	290	310

Shaker furniture, home-made stock, picnic rugs and fashion jewellery are just some of **Lucia van der Post's** *shopping choices this week*

Nostalgia rules at a 21st birthday party

Drawings by James Ferguson



TWENTY-ONE-years-old seems a little young to be honoured with a retrospective that looks nostalgically back at all your works but, improbable though it may seem, it is just 21 years since Butler & Wilson first got together and began to forge their now-famous lines of fashion jewellery. Next month, starting on Monday October 16, Harrods honours them with an exhibition showing a range of their work and how it has developed.

They are an extraordinary success story. From tiny beginnings – a market stall – their turnover is now more than £4m a year. The company is still wholly owned by the two partners, Nicky Butler and Simon Wilson. None of their pieces is intrinsically rare or precious and yet each has a cachet all its own. In financial terms their jewellery is affordable by almost everybody who has a salary, no matter how small. It is worn by film stars and royalty, by Sloane Rangers and middle-aged mothers. All they have in common is a liking for the Butler & Wilson combination of wit, style and glamour.

The whole enterprise evolved in a haphazard kind of way. "I didn't have a game-plan," says Nicky Butler, "I just started helping out on a friend's jewellery stall in an antique market while I was trying to get into film production. I found I felt comfortable there – I just seemed to have a market mentality – and I began to develop an eye for jewellery. After I met Simon and we started buying for our own stall things just took off.

"We used to sell carved Bakelite bracelets that we'd buy for £1 and sell for £1.50 or an Art Deco buckle, an insect pin or a butterfly brooch. People seemed to like what we liked – it was a wow from the word go – we would turn over our entire stock in three weeks. After Caroline Baker, then fashion editor of Nova, photographed a whole group of our bug brooches we were inundated. We then found that in order to keep up with demand we had to start designing and making ourselves – there just weren't enough genuine antiques around. We started doing a little range of silver and ivory boars' tusks and small cast brooches in Art Deco style of tennis player and golfers in silver and enamel."

Many of their pieces came to be seen as collectables. Some of the pieces, such as the sun and moon brooch, have become classics. Others have slipped out of the collection and second-hand versions are becoming sought after. The exhibition at Harrods offers Butler & Wilson fans a chance not only to see their work but to buy some of the classics which are being reissued for the exhibition.

Butler & Wilson shops are to be found at 189 Fulham Road, London, SW3; 20 South Molton Street, London, W1; Princes Square, Glasgow and Sunset Boulevard, Los Angeles. There are also special Butler & Wilson shops inside Harrods and Selfridges.

Sketched opposite are just some of the best-known collectables from the last 21 years.

■ Silver plate and paste lizard, 4½ ins long with glass red eyes, £34.50.
■ Baby lizard, 2¼ins long, in silver plate and paste, £18.50.
■ Creamy Bakelite Pierrot brooch, 4 ins high, £38.
■ "Gold" hand with enamel nails and paste stone ring and bracelet, 3 ins long, £28.
■ "Gold"-plated and paste heart-shaped earrings, £28.
■ Silver-plated and paste teddy bear, 2 ins across, black eyes and nose and red mouth, £38.

Time to stock up

HOW MANY times have you started to tackle a recipe and then found that the thing it really needs is a perfectly wonderful home-made stock? Good stock, flavourful and properly reduced, is the foundation of classic sauces, of proper soups and of many a fine dish, but not many of us have time to chop and brown, flavour and strain and do all the things it takes to produce them. Stock cubes are *not* the same thing at all.

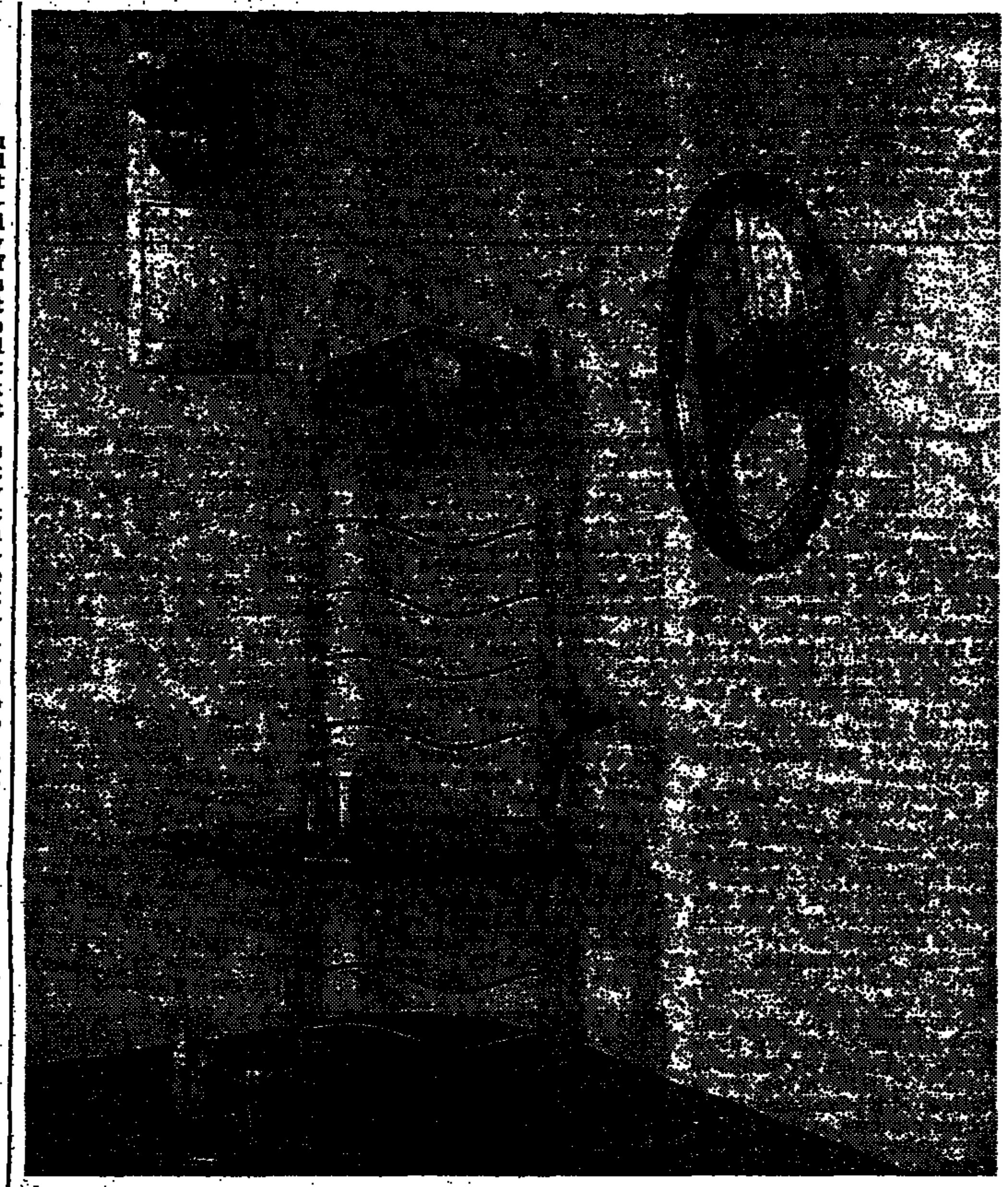
If you long to make soups and sauces the proper way but don't have the time or energy to make the stock, help is at hand. Fonds de Cuisine is a new company founded specifically to sell to the public the kind of sauces that chefs insist on. All are made the traditional way, using natural ingredients, and are guaranteed to have no artificial additives or preservatives, no monosodium glutamate and no colouring agents.

The stocks were developed by David Chambers, *Chef de Cuisine*, Le Meridien hotel, Piccadilly, London, W1, and they are a marvellous improvement on standard stock cubes and gravy granules.

To begin with six stocks will be on sale – chicken, beef, lamb, fish, vegetable and veal (the proper, mightily reduced *jus de veau* which is the basis of a classic *chausseur* sauce and which can now be made in something like five minutes).

The beef, chicken and lamb will sell at about 99p for ¼ pint, 55p for 5 oz while the fish and vegetable stocks will be about £1.15 for ¼ pint and 60p for 5 oz. The *jus de veau* – remember it is extremely concentrated – sells at about £1.25 for 5 oz. They are going into Safeway, Tesco and Selfridges early next month.

■ Quite different but infinitely delicious are Mrs Prindable's amazing apple confections, to be found at Harrods only. Each apple is surrounded by a delectable concoction of caramel, chocolate and various kinds of nut. Each one is hand-dipped and Harrods is happy to take special orders. At £15 a go they are not cheap but they are special.



LISA VANDY is a young designer/maker who has a strong handwriting all her own. She works in silver, copper and pewter, and is very fond of verdigris. She does a lot of work to special commission (she has just finished co-designing a new shop in the Tottenham Court Road called Soul II Soul, as well as all the accessories for soul singer Terence Trent D'Arbay's world tour) but also has a range of artefacts that she produces in batches.

There are mirrors and clocks, candlesticks and goblets, but she also designs and makes great tables and chairs, like the one photographed above which is 56 ins high and 29 ins wide when the triangular flap is extended. The chair, made of cherry, oak and solid copper rods, is £1,200.

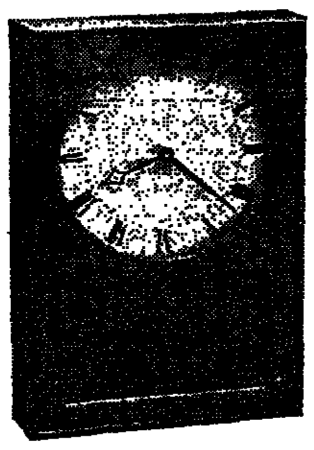
Among the smaller items are candlesticks of silver on copper with coiling which cost £88 for one and £75 a pair. The goblets are also silver on copper with a satin finish on the inside; they sell at £40 each or £150 for a set of four. Her alphabet clock is made of engraved copper spinning with engraved sheet copper and verdigris letters and hands. It sells for £380.

Later in the year Lisa Vandy will be having an exhibition of her work at American Retro at 35 Old Compton Street, London, W1. Until then you can buy and see her work at her workshop at 12 Greenland Street, Camden, London, NW1 0ND. Telephone first for an appointment: 01 482-1693.

Simple Shaker style and spirit

REGULAR READERS of *How To Spend It* will be familiar with Shaker furniture. I have long had a fondness for it and wherever I find it I tend to draw it to readers' attention. Those who, like me, have long been a fan of its simple shape, its fine quality, its purity of line will be delighted to know that a shop devoted to Shaker furniture and artefacts is opening in London this week.

The Shakers, The United Society of Believers, you will remember, are a deeply religious sect, a breakaway movement from the English Quakers who flourished in New England in the 18th and 19th centuries. They made everything they needed, guided by the principles of Mother Ann who asked them to "do all your work as though you had 1,000 years to live, and as though you were going to die tomorrow." They made nothing that wasn't useful, but they also believed that everything that was useful could also be beautiful. Thomas Merton, an early admirer of the Shakers, thought the peculiar grace of Shaker chairs could be attributed to the maker's belief that "an angel might come and sit on it."

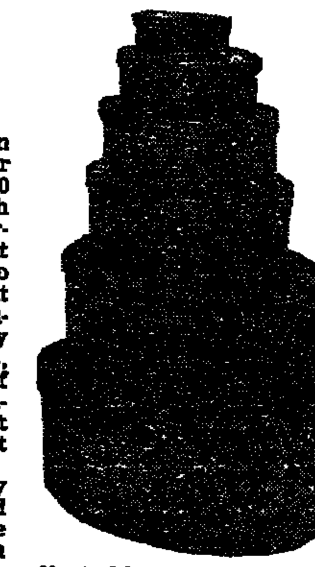


The Shaker clock is £225

Tim Lamb and Liz Shirley have, like me, long admired Shaker pieces and they have now signed an agreement with Shaker Workshops in Massachusetts which enables them to distribute its furniture and artefacts, all made in the true Shaker style and spirit.

The range is excitingly large – there are those wonderfully simple slat-back chairs, the classic drop-leaf and trestle tables, the slat-back rocking chair, arched benches, a weaver's chair, hanging shelves and the famous peg rails which were an integral part of Shaker architecture and on which they hung mirrors, clothing, shelves, kitchen utensils and even chairs. Smaller things, such as clothes hangers and those marvellously satisfying oval boxes, are equally beautifully-made and desirable.

Quite a lot of the furniture can be bought in kit form, which of course makes it cheaper – for instance, a straight chair that costs £169 complete would cost £94 in kit form. There is a mail order catalogue available from the shop for which they charge £1.50, though the sum is refundable on your first purchase. The catalogue not only gives the prices, it also illustrates all the pieces. Rocking chairs vary between £299 and £325, the 6 ft drop-leaf table is £675, clothes hangers are £10.95, the hanging shelves are £115.



Nest of boxes from £15.65

Shaker sewing table £215

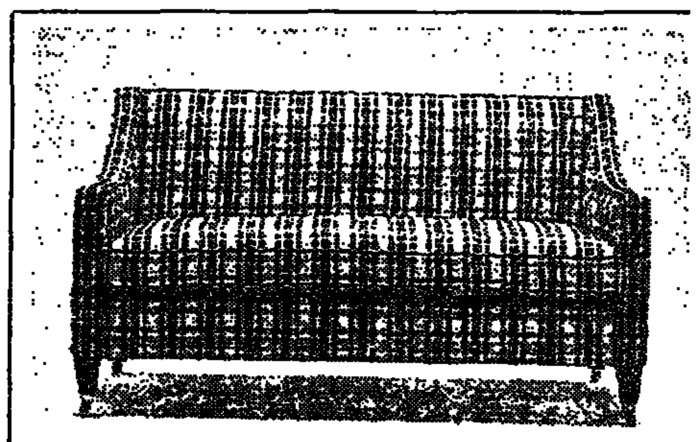
The small Shaker community that still remains at Sabbathday Lake is still famous for its herb and tea production and The Shaker Shop will be selling a big range of herbs and teas – things such as catnip, dandelion, horehound and lavender tea as well as some unusual vinegars. The shop is at 27, Harcourt Street, London, W1. Tel: 01-724-7672.

A splendid book on *Shaker Life, Work and Art* by June Sprigg and David Larkin is published by Cassell at £25.

Picnic in perfect comfort

IF THE Indian summer keeps up and you are still in the mood to go picnicking (and what could be nicer than to combine eating out of doors with a little autumnal blackberrying?) then you might like to know about Countrygoers picnic rugs.

In splendidly rich Scottish tweeds (Scotchgard-treated) they come leather-bound for sturdiness and with handy leather carrying handles. £65 from Countrygoers, Stable Cottage, East Coker, Yeovil, Somerset BA22 9HS (Tel: 0935-863121). For those who prefer something softer to sit on there are tweed-covered cushions – again they come with long straps for easy carrying and would make picnicking an infinitely comfortable event. £69 each.



KINGCOME SOFAS have become one of the dependable names in the world of sofas. They may not be cheap but they do make sofas of comfort and quality and they are always innovative in thinking up new solutions to seating problems. Newest in their line is the Kingcome small sofa, carefully thought-out to fit into those places where something decorative to look at and comfortable to sit on would be welcome but where most normal sofas wouldn't fit. It would look good in a hallway, in an alcove, in a bedroom, in a small study or in a television room if it was covered in chintz, a crisp check or a Highland plaid. An elegant shape, and comfortable to boot, the Kingcome Claude, pictured above, is 4ft 6 ins long and costs £755 excluding fabric, VAT and cushion. You would need 12.5 metres of fabric and orders take about eight weeks. To see the range of Kingcome sofas go to the showroom at 304 Fulham Road, London, SW10.

Cookery

Out, out damned sprout

LORD SPARE US from Brussels sprouts just yet. The sight of them in the supermarket, bagged in 1 lb nets, pathetically trapped like butterflies, brought a shiver of unseasonal chill to my heart.

Who grows them for sale at this time of year, and who wants to buy them? Some may be eager to taste the first fruits of summer before spring has fully sprung, but does anyone really want to turn the clock forward to winter any sooner than necessary?

Cotton-frocked shoppers seemed startled by the sight of the sprouts. They winced, then turned their backs on them. "Steak and kidney pudding with sprouts tonight? Not likely," said one jolly shopper. "They'll be offering us parsnips next," replied her friend, and they busied themselves with stuffing their trolleys with produce in tune with the season.

They snapped up courgettes eagerly and jostled over tomatoes ripened by a decent dose of sun. Good sense, and glorious summer gluts won the day – quite rightly.

BAKED TOMATOES WITH BREADCRUMBS AND ONIONS
(serves four)

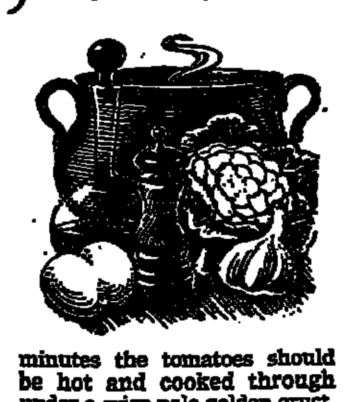
These make good partners for grilled lamb chops, or serve them on their own – hot, cold or warm – as a fairly substantial first course.

Ingredients: 4 smallish Marmande or beefsteak tomatoes weighing about 8 oz each; 2 onions; 2 garlic cloves; fresh basil (or mint) and chives; stale breadcrumbs; butter, olive oil.

Method: Chop the onions finely and cook gently in a couple of spoonfuls of olive oil or butter for about 15 mins until softened. Meanwhile, decapitate the tomatoes at the stalk end, and scoop out the seeds and pulp, taking care not to cut into the shell. Turn the tomato shells upside down and set aside to drain. Chop the tomato pulp roughly and a garlic clove quite finely. Add both to the onion pan. Turn up the heat a little and cook, stirring quite often, for about 10 minutes until most of the tomato liquid has been driven off.

Away from the heat, season lavishly with salt and pepper – and a pinch of sugar and/or a squeeze of lemon juice if the tomatoes are insipid. Stir in some stale breadcrumbs to mop up any remaining liquid. Aim for a stiffish mixture; six to eight spoonfuls of crumbs may be needed. Add a generous smattering of chopped fresh herbs and cool slightly. Dry the tomato shells, fill them with the stuffing and sit them in a lightly-greased dish. Everything up to this stage can be prepared well ahead.

Melt a scant 1 oz butter. Quickly stir in 2 oz stale breadcrumbs and a very small, crushed garlic clove. Cap the tomatoes with the buttery crumbs and bake near the top of an oven heated to 350 F/180 C (gas mark 4). Within 25 to 30 minutes the tomatoes should be hot and cooked through under a crisp pale golden crust.



TOMATO JELLY WITH PRAWNS
(serves 6)

Richly-flavoured, ripe tomatoes and spicy basil combine to give this elegant appetiser its very savoury appeal. Prawns provide a finishing touch, making a lovely party dish.

Ingredients: 1¼ to 1¾ lb tomatoes; fresh basil, garlic and bay leaves; concentrated tomato puree; gelatine powder; ½ lb or more cooked prawns (peeled weight); lemon juice and olive oil.

Method: Cut the tomatoes into quarters. Put a few of them into a food processor. Add 3 or 4 sprigs of basil, a sliver of garlic, 2 bay leaves and plenty of salt and black pepper. Whizz to chop very finely. Add the remaining tomatoes and whizz until smooth. Bring the pink puree very slowly to simmering point. Simmer for 2 to 3 minutes only then cover tightly and set aside for 1½ hours.

Strain the liquid through a fine sieve. There should be ¾ pint or just over. Stir in 1 slightly-heaped tablespoon of tomato paste dissolved in 1 tablespoon boiling water and top up with cold water to make a scant 1 pint of liquid in total. Dissolve 1 tablespoon gelatine powder in a little of the savoury tomato liquid. Cool briefly then blend it into the rest of the liquid. Check seasoning and add salt, pepper, lemon juice, and maybe a pinch of sugar, as necessary, to achieve an intensely fresh and savoury tomato flavour.

Pour the liquid into six small glass bowls. Cover and chill until set to a softly-trembling jelly. (Tomato mixtures seem to take forever to set and cannot be hurried; I recommend making this dish a full 24 hours ahead of serving.) Bring the jellies back to room temperature half an hour or so before serving.

Toss the prawns in salt, pepper and a little vinaigrette dressing. Drain them, mix with fresh-torn basil leaves and pile them on top of the jellies just before bringing them to table. Serve with oatcakes or warm sesame seed crackers.

'SUN-DRIED' TOMATOES

If you are suffering from a surfeit of tomatoes you might like to try this fashionable way of preserving them. The recipe comes from *Stephanie's Feasts & Stories* by the remarkable Australian chef Stephanie Alexander.

Ingredients: 4 lb ripe plum tomatoes; salt; olive oil; fresh basil, rosemary or tarragon; whole peeled garlic cloves (optional).

Method: Heat the oven to 140 F/60 C. Cut the tomatoes in half lengthwise. Scoop out the seeds. Sprinkle the cut sides with salt. Arrange the tomatoes, cut side up, on the oven shelves. If the spaces are too wide, place stainless steel or other non-ferrous cake racks over the oven racks and place the tomatoes on these.

Dry in the oven with the door propped open slightly until the tomatoes are leathery but not hard, about 12 hours. No liquid should ooze out if you cut one piece in half. Never try to hurry the process.

The dried tomatoes can be eaten as a snack, quite plain, or stored in the Italian manner: Fill sterilised jars with dried tomatoes, layering them with sprigs of the chosen herb, and the garlic cloves if you are using them. Cover completely with olive oil, pressing down hard on the tomatoes to allow any trapped air to escape. Store, tightly covered, in a cool cupboard. Allow four weeks for the flavours to develop.

Philippa Davenport

ARTS

The Cheshire Cat of modern art

William Packer on Andy Warhol

OF ALL the American artists of the 1950s and 1960s, for whose genius the most extravagant claims are still occasionally made, Andy Warhol is perhaps the most intriguing. That is not to say that over the years his reputation, too, has not moderated somewhat, but while others have faded almost entirely away, in his case at least the grin remains, teasing as ever. He is the Cheshire Cat of modern art.

It is hard to remember a time when he was not a name. The Tate's big survey of 1964, *The Painting & Sculpture of a Decade 54-64* ignored him, yet by 1971 he was worth the full retrospective treatment. Simple and obvious as it seemed, once established, his work could be neither ignored nor forgotten. "If you want to know all about Andy Warhol", he once said, "just look at the surface: of my paintings and films and me, and there I am. There's nothing behind it." But of course there was and is. One should never take an ironist at his word, and beneath that deliberately bland and deceptive surface Warhol was many things: pop-artist, conceptualist, minimalist, journalist, diarist, film-maker and, yes, ironist.

Two years on from his sudden death at the age of 58, two major exhibitions and several sideshows offer London something of a Warhol festival. The largest show, *Andy Warhol: A Retrospective* (until November 5: sponsored by British Petroleum), comes to the Hayward Gallery as a condensed version of that already shown at the Museum of Modern Art in New York. It is none the worse for that, well chosen and handsomely installed, but with a starting point now set effectively at 1960 it does make the show at the Serpentine Gallery, *Success is a Job in New York* (until October 1: sponsored by West Industries), which comes from the Gray Art Gallery of New York University, an indispensable prologue.

Glossed as "the early art and business of Andy Warhol," it covers his career, first as a student at the Carnegie Institute in Pittsburgh in the late 1940s, and subsequently throughout the 1950s as a graphic designer and illustrator in New York. It is a revelation: lip service has been paid often enough to the nature of Warhol's professional activities in this period, but never to their range and quality. Even the New York version of *A Retrospective*, it seems from the catalogue, skipped through it, rather, concentrating on such things as the shoes drawings and the use of gold leaf as a ground, that may be thought validated retrospectively by so much of the later work.

The truth is quite the reverse, and it is Warhol the young designer and illustrator who, without in the least vitiating his later work, qualifies and determines Warhol the painter. Indeed, for being rendered so much clearer in its imaginative provenance, and thus less arbitrary, so much of that later work becomes so much the more impressive. It is not that Warhol's early graphic work is especially original, nor would one expect it in a profession that takes originality as a but quality of freshness of vision. We find him working very much in the spirit of the time, looking especially to such illustrators as Steinberg and Ben Shahn, but sharply selective and always bringing his own distinctive visual wit to bear. The touch is light and deft, the result frequently delightful and funny.

But we also find him relishing not just the imagery of style and fashion but also the techniques that will later sustain him. Already, by the mid-fifties, he is master of block and screen-print and is exploiting their various applications. He takes prints from his drawings before the ink is dry: uses rubber stamps, and plays with images that are out of register or repeatedly overlaid: works upon mixed-media surfaces of all kinds. The work is confident, knowing and entirely professional, and by the end of the 1950s had won him some considerable standing within the loose art world free-masonery of New York – Success indeed.

At the Hayward Gallery retrospective: Turquoise Marilyn, 1962

And then, sometime around 1960, from using the occasional canvas in a window display, he began to make art *qua* art. A substantial group of these transitional works, taking their imagery from small-ads, cartoons and the simplified consumer imagery of mass advertising, forms the opening section of the Hayward show. It is the crucial passage, for here he is casting about to find the touch that had served him so well on paper and the printed page, but as yet failed him on canvas. The problem was to find a quality of line and surface that would read with the same economical authority across these larger surfaces as they had in the graphic work.

It is nicest irony that he should solve his problem as a painter by reappropriating to himself the familiar technique of the screen-print, employed on the largest scale. The screen quite simply became the brush by which he could work as flexibly and as simply as he chose, and achieve at once the bland impersonality and immediate impact of the printed image. It was all so simple, and from the soup cans and coke bottles to the Marilyns and Liz Taylors, the Elvises, Jackies and Maos, the electric chairs and the numberless increasingly conventional portraits, is an obvious and simple progression.

But is it so simple? Perhaps towards the end the ironist might have seen that the process of repetition had become merely the mechanical process he had always said it was, but to see again those early iconic portraits of Liz and Marilyn is to be struck by their force and singularity. There is just the surface and the familiar face annotated and simplified by Warhol's supreme graphic confidence. And there is the insistent repetition to drain off all meaning, as though it were a visual mantra. And still we are transfixed. The grin remains.

Radio
World War overkill

"IT'S STRANGE," Sue Lawley said, interviewing Dame Vera Lynn for *Desert Island Discs*, "that we should have this nostalgia for war." Yet Dame Vera would have liked a little more, it seemed, despite her general good nature.

Nostalgia is not in my bag. I was in the Army throughout the war, a Territorial before it began, I enjoyed much of it, I found much to regret. But I don't need to recall it all because of a 50-year chance of time. This week's BBC radio had over a dozen war-connected items (and as for television). I hope I may be forgiven if I do not write with enthusiasm about this anniversary of the outbreak of World War 2.

A pleasant by-product of the matter, at any rate – as "by" a product as you could imagine – was the memory of the 1939 theatre. Radio 4 gave us *The Corn is Green* on Sunday and *Dear Octopus* on Monday. The Emlyn Williams piece is often revived (this production dates from 1985), but the other is played less than it deserves. It was great to hear octogenarian Gwen Ffrangcon-Davies and Robert Harris celebrating their golden wedding in this 1978 production of Dodie Smith's play, with Martin Jarvis in the part John Gielgud played in 1939.

Naturally on Sunday we had Neville Chamberlain declaring war from Downing Street. In the evening, a repeat of last week's talk on how the war had changed our lives, by Frank Gillard, once Managing Director of BBC Radio; and a discussion by women united by the war, which I am afraid I did not hear. On Radio 3, the Prom interval was occupied with a history of the Proms in wartime, complete with the voice of Henry J. Wood.

On Monday, *Studying under Hitler* (Radio 4) gave the reactions of Dr Harry Law Robertson, who studied in Germany from 1930 to 1936, and saw what was in store. This was interesting, but less so than Saturday's *The German Renascence* (Radio 4 FM only, a series of six), which gave the reactions of young Germans living there at the same period. They didn't see what was in store, and some were convinced until 1945 that the Fuhrer was a "semi-god". But not after.

On Tuesday an eight-part series began on Radio 4, *The Road to War*, a nation-by-nation investigation into the war's origins, a companion to what you might have seen earlier in the evening on television, with the same writer and narrator, Charles Wheeler. (This almost takes us up to Remembrance Sunday.) On Thursday, *First Person at War*, a six-part series which this week dealt with a 13-year-old German girl's flight from Nazi Germany. How right, as usual, Sue Lawley was.

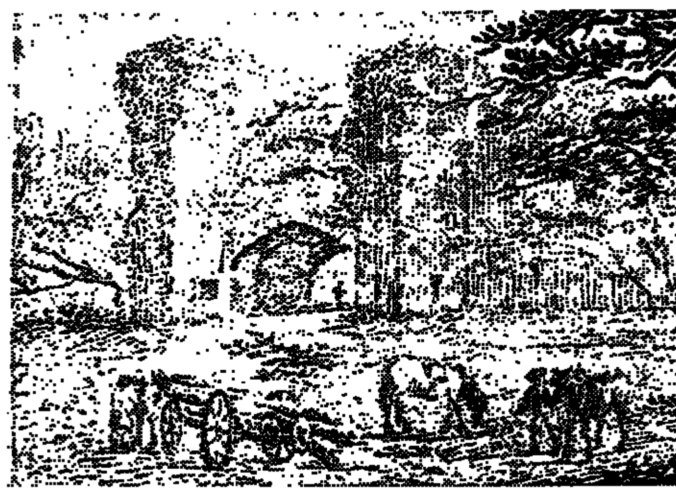
For those who felt like a change of war, even if not a change of subject, Radio 4's Monday play was *Boudicca's Victory*, by Jean Binnie. Here was the fighting between the Romans and the allied tribes under Queen Boudicca of the Iceni, alias Boadicea; but the battles were engulfed in a spate of counterplots. To start with, the story was presented as if played by a touring theatre company in a village hall, who had to extemporise all their effects.

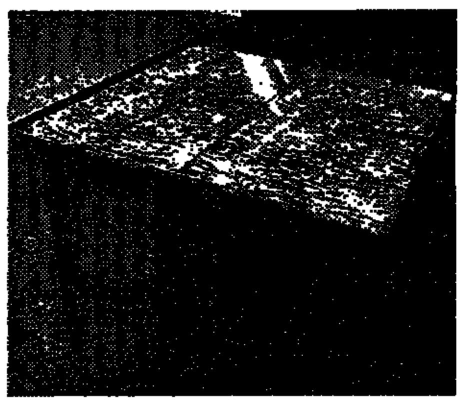
Boudicca has a rival claimant to the chieftainship of the Iceni, who works against her when he can. And she has a secret lover and two daughters, one of whom also has a secret lover, a Roman, Postumus. These must be the same Romans that got the National Theatre into such trouble, and we hear of their activities in revoltingly vivid detail.

Suetonius, not the historian but the Roman commander, is ultimately recalled to Rome, in spite of having killed so many British and made their Queen poison herself. Hence the title *Boudicca's Victory*, which means that, as Suetonius realises, Britain can never be a profitable Roman colony.

But there is more to it than that. Alive or dead, Boudicca was the greatest feminist ever until Elizabeth I, and Jean Binnie goes along with her.

B.A. Young





The tiny ink drawing (top left) "bought" for £90 from Sebastain D'Orsai and the BC Roman urn, £1950 from Faustus Fine Art; bottom left, the Italian 18th century writing table (£5200) and the Swedish card table made from birch figured like a tigerskin (£1200), both from the Fair

Furniture with a country feeling

Robin Duthy *finds some good buys at the London Antique Dealers Fair at the Cafe Royal. His purchases are on paper only*

A CHOICE of three hundred kinds of picture-frame is available at Sebastian D'Orsai Ltd, 39 Theobalds Road, WC1, ranging from simple gilt to hand-made walnut, maple and oak-veneered frames. Over the last five years, the shop has dealt more and more in English drawings and watercolours.

Two floors of well-chosen works are on sale, mainly in the £100 – £500 range, and I "bought" there for £90 a tiny (4x3in) ink drawing done in about 1830 of waggoners loading tree-trunks outside Berry Pomeroy Castle in Devon. The drawing came unattributed, though the style is close to that of Thomas Bewick whose vignettes of rural England have more charm and humour than the publications of *Birds* and *Quadrupeds* for which he is better known. Some of Bewick's preparatory drawings were done in ink, though of course his great skill was in wood-engraving for which he developed a "white-line" technique. Whether by Bewick or not, the timeless, pastoral quality of the scene is well caught.

The English water-colour market to which this picture belongs marked time last year after averaging a 15 per cent rate of climb since 1975. Within that sector though, the understated early 19th century drawings are still rising more slowly than later more decorative work.

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This week's London Antique Dealers Fair, now in its twelfth year at the Cafe Royal, Regent Street, W1, is open until 6 pm on Sunday. Plenty of worthy English furniture is on offer and a sprinkling of French, Italian and Scandinavian. It is partly overfamiliarity with French and English furniture that drives me towards Scandinavian, Italian and other less famous styles, and partly because it's better value. American buyers have traditionally bought and driven up the prices of French, English and of course their own furniture, while ignoring the rest.

Here I "bought" for £5200 from Anderwyck Ltd, a dealer who trades only at fairs, a North Italian writing-table probably made near Turin about 1790. It has a distinctly country feel; the inlay is less than perfect – more human, you might say, than the astonishing virtuoso marquetry work done in France. Luckily, I prefer the work of fallible craftsmen to the mechanical perfection of a top French ebeniste, since a comparable bureau plat by one of these could cost £100,000.

To the fastidious collector, there's a lot wrong with my Piedmontese table – a clumsy repair at one edge, back legs now a little warped, and not a few worm-holes. Yet the various fruitwood inlays of pear, apple, and walnut produce what seems like a complete and self-sufficient spectrum of browns, giving it a mellow and solid character.

*

Three Danish dealers had come to the Fair with a refreshing cargo of bright and airy Scandinavian furniture. Here is a sector that will surely follow the rapid climb of Scandinavian painting. After pine, the silver birch was most commonly used in Swedish furniture. The different climates and soils produce a glorious range of colours from a brilliant silky white to chocolate brown. From Soelberg of Copenhagen I "bought" for £1200 a Swedish card-table of about 1820, made from birch that was figured like a tiger-skin, having grown probably in a cold, isolated and watery site.

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Thence to Faustus Fine Art, the antiquities dealers at 90 Jermyn Street, W1 where, on entering, the resident border collie shot past me in pursuit of a rubber bone. It narrowly missed a stand with a first century BC Roman red "terra sigillata" krater, which I "bought" for £1950 while the going was good. The price reflected its near-perfect condition as well as its wonderfully satisfying shape, colour and texture.

Pliny inferred that these mould-made pottery vessels were the down-market version of the original silver examples, and in *From Silver to Ceramics*, Michael Vickers of the Ashmolean in Oxford has shown the silver originals alongside their ceramic followers. Whatever market they were made for, the high iron oxide content of the clay gave them a deep, reddish-orange colour, though in this case there is a bluish-black area too, resulting from a later fire. The frieze of garlanded flowers is strongly modelled and the form is distinctively Roman, not derived from any Greek or Egyptian model.

The British who buy antiquities are said to do so rather as if they were collecting stamps: they like mint condition and one vessel of each known form. Continental, and even American collectors are motivated more by aesthetics, and will therefore buy damaged pieces and even a fragment that shows part of a beautiful form.

Ancient Roman ceramics are undervalued partly because they have to compete with the easily identifiable and allegedly unsurpassed work of the Chinese potter. Yet if the same basic qualities of colour, form, texture, patina – and iridescence in the case of buried pieces – are weighed up, many will agree that Roman ceramics are rare and aesthetically better value than comparable Chinese material which can be bought by the cartload.

Music by the lake

Andrew Clark on the Lucerne Festival

FOR MOST festivals, the setting is as important as the content. On that score, Lucerne is richly endowed. By day, you can sail on the lake's 80-year-old paddle steamers, climb the Rigi by steam train, visit Wagner's house at Tribschen or explore the city's immaculately-preserved churches, where the festival's choral concerts resound in the evening. The setting is a unique blend of history, scenery and up-to-date Swiss convenience.

But where other festivals wax and wane, Lucerne has maintained a remarkably consistent record of development over its 50 year of existence. It began in 1938 with a few concerts centred around Toscanini and Ansermet. It developed through personalities like Edwin Fischer, Furtwangler, Karajan and Kubelik.

It now lasts three weeks and runs to more than 40 symphony and chamber concerts – but it still relies on a nucleus of international musical personalities, such as Vladimir Ashkenazy, Daniel Barenboim and Dietrich Fischer-Dieskau, who return year after year. Fortunately, Lucerne has never allowed any individual to dominate nor become subservient to the less savoury elements of the music business.

How does Lucerne do it? Tradition develops a certain momentum and the stability of the Swiss franc undoubtedly counts. But the festival's financial independence also plays a crucial role. It receives only five per cent of its SFr4.5m (£1.7m) budget in state subsidy. Around 75 per cent comes from the box-office, which means prices of up to SFr140 (£52) for a good seat at this year's concerts by the Berlin Philharmonic and Chicago Symphony. Nearly 20 per cent of income comes from the festival's own 250-member sponsoring society, an exclusive club for Switzerland's richest culture lovers, who pay handsomely for priority booking.

Given this reliance on the paying public, it is remarkable that the programmes aren't more conservative. To widen its impact, the festival has begun giving concerts of new music and this year a special low-price symphony concert was laid on to attract the locals and tourists who might otherwise shy away from the well-heeled atmosphere. And you could still hear Pollini's electrifying account of the Schumann concerto at a Sunday morning concert for less than £7.

Lucerne is now looking to the future with plans for a new SFr60m (£23m) concert hall complex to replace the cramped, boxy Kunsthaus. An architectural competition is under way and the city and cantonal authorities have given their backing. Half the cost will have to come from private resources.

If the festival's impeccable day-to-day organisation is anything to judge by, it is a safe bet that Lucerne will have its new lake-side hall by the year 2000.

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Unlike Edinburgh and Salzburg, two of the other big international festivals where music plays a major part, almost all the programmes at Lucerne show an awareness of thematic context. The festival this year focussed on Russian music, with particular emphasis on the Musorgsky-Shostakovich axis. Edison Denisov gave a composition class, the Hilliard Ensemble and the Tallis Scholars introduced East European vocal music from the Renaissance to Arvo Part, and the Royal Concertgebouw Orchestra played Shnitke's Fifth Symphony. This evening, the Moscow State Symphony Orchestra under Gennady Rozhdestvensky gives the closing concert at the Kunsthaus. There has also been a season of Soviet films and the city theatre put on a production of *Three Sisters*.

The best example of programming was a concert by the Camerata Bern under Heinz Holliger, in which a Denisov première(a new version of his Bach Variations "Es ist genug" of 1984) was sandwiched between Bach's cantata "Ich habe genug" and Shostakovich's Fourteenth Symphony. There were all kinds of stimulating contrasts here, even if the link was the morbid subject of death.

Another concert featured Sofia Gubaydulina's *Seven Words* (1982), a 40-minute work for cello, accordion and strings with quotations from Heinrich Schutz's *The Seven Words of Christ*. The music is quiet and intimate, consisting mainly of a dialogue between the two solo instruments. The cello is used for a variety of expressive effects, while the accordion ranges from inhaling and exhaling sounds to far-off echoes of organ-playing. The seven sections are punctuated by gentle string interludes which take the musical idiom back to the world of Schutz. The work is inspired by the devotional element that plays such a large part in Gubaydulina's creative output and, as with all her music, the originality and simplicity of the sounds she conjures proved the most striking feature.

And yet the Lucerne performance – played with commitment and skill by the Moscow Virtuosi under Vladimir Spivakov – was hardly the most persuasive way to represent Gubaydulina. This is one instance where she has clearly over-worked her material: the fascination of the contrast between cello and accordion wore off all too quickly and monotony was the abiding impression.

The same ensemble accompanied Evgeny Kissin in a performance of Shostakovich's First Piano Concerto. Kissin is the 18-year-old Soviet prodigy who began making records when he was 11 and whose complete subjugation to Herbert von Karajan was the most revealing feature of their televised performance of the Chaikovsky concerto from Berlin last New Year's Eve. Kissin's Lucerne performance included a predictable show of technical virtuosity but on this occasion it was married to a strong sense of the music's spiky brilliance and impulse. It is a young man's concerto, perfectly suited to Kissin's innocent bravura.

Ideally, Gubaydulina or Shnitke should have been present to introduce their music. But like Gubaydulina, Shnitke was represented only by one major work. Riccardo Chailly and the Concertgebouw have taken the Fifth Symphony round Europe (except London) since they gave the première last November. Neeme Jarvi's Gothenburg recording is now building an even wider audience and the Royal Liverpool Philharmonic is to give the British première later this month. No wonder orchestras are keen to perform it: it is an inspired creative response to symphonic tradition, in which Shnitke pays homage successively to Bach, Mahler, Musorgsky and Shostakovich through his own unmistakable voice of nervous vitality. Chailly and his orchestra gave a performance of knock-out confidence and grandeur.

Lucerne's Chapel Bridge and Water Tower

ARTS

Menu for a masterpiece

From Venice, Nigel Andrews hails Greenaway's new film

FILM FESTIVALS used to be Pentecostal events. Tongues of fire would descend on the visiting critic, giving him a sudden dazzling skill with languages. Necessity mothered inspiration: for the only means of access to a Bulgarian or Bornean masterpiece is to understand French subtitles at Cannes, German ones at Berlin, Italian ones at Venice.

Those days are gone or going. In 1989 nearly every film seems to be in English. The rise of the co-production is one explanation. When a movie has no obvious native language, why not perform or dub it in the one most widely used? Another reason is the flagging creative fires of most non-Anglophone countries. When did a movie from Japan, India, France, West Germany or Brazil last scorch itself on our memories?

Of the first six films seen at Venice four have been in English and two in mixed languages with English predominant. Who said we had lost our empire? Linguistically, we seem to be taking over the world.

Certainly the best film at Venice so far is British. Peter Greenaway's *The Cook, The Thief, His Wife And Her Lover* is a prime cut from the body cinematic. Red, dripping and succulent, it gives us a Jacobean melodrama updated as post-modernist movie. A roaring, foulmouthed gangster (Michael Gambon) dines nightly in a rococo restaurant. His wife (Helen Mirren) has taken to slipping off to the eatery's luxurious loo to make love with another diner, meek and bookish Alan Howard. How will Gambon react when – if – he finds out? What can the all-seeing French chef (Richard Bohringer) do? And will there be blood before bedtime?

Greenaway must have swallowed a genius tonic. This movie bears the same relation to *The Draughtsman's Contract* or *Drowning By Numbers* as *King Lear* does to *Lassie Come Home*. Its controlled delirium of colour and camera movement is astonishing. Spectacular tracking-shots unfurl to the melodic mantras of Michael Nyman's music. (Like Handel on mind-drugs.) Dialogue has an compacted wit and passion. And each sphere of action is expressionistically coloured – red for restaurant, green for kitchen, white for bathroom – with Mirren's clothes changing hue chameleon-like to match.

At times the film over-resembles Fellini. Especially when Gothically lit dogs maraud a studio-built street at night, or when dining-tables and diners groan with Trimalchian excess. But for most of its 126 minutes it comes on like the Greenaway film of our dreams: one we always hoped he might make but never dared suppose he actually would.

Everything else at Venice has been the sorbet after the meat course. Alain Resnais's *I Want To Go Home* is a Jules Feiffer-scripted divertissement which doesn't quite divert: all about an American cartoonist (played by veteran lyricist Adolph Green) disoriented by his first trip to France (played by Gerard Depardieu). Fernando Trueb's *The Mad Monkey* is a thin, tail-chasing Anglo-French thriller featuring incest, movie-making and Jeff Goldblum. And Gabriel Axel's *Christian* is a Danish road movie that should have been roadblocked at an early stage. Axel, who made *Babette's Feast*, trails after a runaway boy fleeing petty crime in Denmark for redemptive wanderlust in France, Spain and travel-brochure Morocco.

In a festival mostly dieting us on trifles, the best trifle has been Henry Jaglom's *New Year's Day*. This charming psycho-comedy has Jaglom himself playing a writer who arrives in New York to find his sub-let apartment overrun with kooks and weirdos. Can he solve their problems? Can they solve his? He falls in love with one girl (dazzling newcomer Maggie Jacobson, tousled, pouting and talkative as a Rohmer heroine). But he is entertainingly at sea with the rest. A film fresh and full of flavour, from the writer-director of *Always* and *Can She Bake A Cherry Pie?*

New Year's Day owes its appeal to the fact that it is deeply indigenous (to America and New York), therefore deeply believable, therefore deeply satisfying. This simple logic seems to be eluding Venice. When he first came to office, festival director Guglielmo Biraghi won plaudits for tearing down the international flags that hung outside the Palazzo Del Cinema. He declared that under his regime films would be entered not nation by nation (boo to jingoism) but film-maker by film-maker (hurrah for art without boundaries).

But one ponders the wisdom of this. Venice '89 seems diseased with cultural interchangeability. Paul Cox's ambitious *Island* is the most serious case so far. If we are casting movies as desserts, *Island* is not so much a trifle or sorbet; more some frightful fruit salad emptied out of tins into the filmgoer's lap. Picture *Zorba The Greek* crossed with *High Season*; and then run screaming from the table.

Irene Papas plays the Greek life-force who befriends washed-out Czech-Australian visitor Eva Sitta, coping with drug dependence on a Dodecanese island. The Babel-like cast – add an Indian girl, a Frenchman and a deaf-mute who speaks guttural gibberish – means we work overtime at the subtitles. But soon we wonder why we are bothering. The film, by the Dutch-Australian director of *Man Of Flowers* and *Vincent*, is co-production cinema at its worst: a parading of national stereotypes under photogenic skies, a delirium of human clichés masquerading as a fresco of human life.

Last year's Golden Lion winner *The Legend Of The Holy Drinker* – Dutch star, Italian director, English script, French setting – set a nightmare precedent for Venice. Perhaps one is being Canute-like in resisting the tide of multi-national movies: perhaps the tide will sweep over us anyway. But in a world where the marks of flavourless internationalism are all around us in other spheres – from airport lounges to hamburgers – why add cinema to the hit list?

Nothing could be emblematically more apt than the fact that the only movie masterpiece presented at Venice so far, *The Cook, The Thief, His Wife And Her Lover*, is set in a restaurant: a film defiantly pleading the virtues of flavour, locality and a concentrated richness of conception.

Scene from Peter Greenaway's *The Cook, The Thief, His Wife and Her Lover*

Caribbean rhythms

Martin Hoyle reviews "Back Street Mammy"

IN ITS pursuit of a black theatrical identity the Temba Theatre Company has a variable track record – at worst, the defensive-aggressive bosom-beating of the professional minority, the ghetto-dweller by choice. It is exhilarating, therefore, to welcome this warm-hearted, perceptive play, directed with immense speed and stylishness by Paulette Randall, acted with polish and assurance, that needs no special pleading. It simply holds the attention through concern for its characters – who happen to be black – and their problems, as a good play should.

It deals with the sexual curiosity and development of Dynette, her unpreparedness for the realities of sex, and her dilemma when faced, bewildered, with pregnancy. Her background includes a Roman Catholic upbringing (the stuff of three-act dramas in itself) and first generation British parents who mull over the emotional tangles of their youth in broad West Indian accents – the four young actors switch to a different lilt as their elders – which they are still touchingly reliving and sorting out.

Zara Conway's design includes a low podium approached by three ramps, backed by an Perpex-glazed arch with hints of the lights and lancets of an ecclesiastical window; an aptly formal set for the choric comments of the "watchers" – whether Dynette's conscience or the manifestation of social pressures – and the children's rhyming games that punctuate the action.

The author is Trish Cooke, an actress herself and winner of the Thames TV Young Playwrights Award. Her writing is accurate and articulate, nicely differentiating between college-educated Dynette and her raucous mate Jackie, young ladykiller Eddie and the old folks with their Caribbean rhythms. Her sense of construction is confidently flexible and well served by the swiftly-moving production with its mixture of formalised groupings and naturalistic dialogue.

The one fault in this hugely promising play (less than 90 minutes, no interval) is the occasional confusion between characters that results from actors doubling and tripling roles. Even the excellent Cecilia Noble (lovely as Dynette's outspoken mother) finds it hard to distinguish mate Jackie from sister Jan in consecutive scenes. Pamela Nomvete makes a wonderfully rounded person of Dynette, from guilty adolescence to self-possessed maturity: an actress with great potential and intelligence. The fine cast is completed by Stephen Persaud and Michael Stewart.

Martin Hoyle

Temba Theatre Company's production of Trish Cooke's play

Records

Rediscovering Pfitzner

BORN IN Moscow to German parents in 1869, Hans Pfitzner died – embittered and penurious – in a Munich old people's home 80 years later. In between, he was for a long time the most admired conservative German composer after Strauss, and an angry pamphleteer against "new" music. That his name is now unknown to most music-lovers outside Germany and Austria has less to do with an unforgiving Modernist establishment, I think, than with the embarrassing fact that he had survived – unlike most decent composers – rather handsomely under the Nazis. And also, no doubt, because he was one of those unlucky long-lived musicians whose early maturity led into a protracted musical decline.

The one Pfitzner work that is honoured still among non-German listeners is his 1917 opera *Palestrina* (recently re-released on DG compact discs). Soon after it, however, came a piece of no less elevated ambitions: his gigantic cantata on Eichendorff texts, *Von deutscher Seele* ("Of the German soul"; God help us), which has never recovered from enthusiastic promotion during the Nazi years. Yet there is nothing ideological about it – it is rapidly, Teutonically self-absorbed, in the grand Romantic tradition. Its appearance on two Musica Mundi CDs (314 027 K3) rewards sympathetic attention.

Von deutscher Seele shares the troubled musico-spiritual climate of many Strauss and Hugo Wolf songs, and in breadth and orchestral apparatus it vies with Zemlinsky's "Lyric" Symphony. If it is less cogently devised than that (newly popular) piece, it also boasts considerably more dramatic variety. With four soloists and large chorus, it moves with professional fluency between intimate *Lied*, quasi-folksong and massive choral stuff, and the opulent orchestral "interludes" belong equally to the substance of the work. It is an expansive, turbulent canvas, not a rigorous construct – Pfitzner was naively hostile to conscious musical calculation.

The epic scale is heartfelt and persuasive, in its strange, dated national way: thought-provoking for us foreigners, certainly, but a genuine aesthetic pleasure too. The new recording, of a live Düsseldorf performance under Heinrich Hollreiser, includes an eager, squally soprano but also three much better soloists – the tenor Protschka, a fine alto in Ingeborg Most and the commanding bass of Victor von Halem. It represents a piece of musical history which is not ignoble.

I have to say that the CD format, like many another from Austria, is mingy: only fragmentary translations of the texts, and no banding within either of the two parts – each more than three-quarters of an hour long. Pfitzner's somewhat later Piano Concerto, neo-Brahmsian but toughly original, big-boned and sardonic, makes a healthy complement to it in Wolf Harden's performance with Heribert Beissel and the Bratislava CSR Symphony (Marco Polo 8.223162).

The Hungarian composer Ernst von Dohnányi, who lived even longer (1877-1960), also suffered from political contumely. After an illustrious national career – close colleague of Bartók and Kodály, music director of Hungarian Radio, principal of the Budapest Conservatoire – he retreated to America in 1948, whereupon he ceased to be performed at home until quite recently (and posthumously).

It was a silly, pointless insult: despite his keen interest in new music, Dohnányi remained always a distinguished and thoroughly professional adherent to the Brahms/Dvořák tradition. Many late-Romantic pieces far inferior to his maintain a foothold in the concert hall. On Musica Mundi 311043 H1, Gottfried Schneider delivers his dashing op. 27 Violin Concerto, and the Artis Quartet his precocious op. 7, with such verve and intelligence that it seems a minor scandal for him to be neglected in favour of, say, Max Bruch or Edouard Lalo.

At least Lalo provided a creditable showcase for cellists in his D minor Concerto. The latest Israeli prodigy Matt Haimovitz, 19 years old, makes a vital impression in it with James Levine and the Chicago Symphony (DG 427 323-2, his début recording). In the outer movements he is warmly intent, without extraneous show; he electrifies the central Intermezzo with athletic wit and pounce. His broad style encompasses ripe, old-fashioned *portamento* slides, given which Bruch's *Kol Nidrei* not only sings and laments but purrs. Haimovitz sounds like a long stayer, wise beyond his years but blessedly modest.

From among recent pleasures, an almost-random choice: Nippo-American Poulenc, the Estonian expatriate Arvo Pärt, an IRCAM trio. Seiji Ozawa conducts the Boston Symphony and the Tanglewood Festival Chorus – technically superior to any French chorus I know – in Poulenc's 1950 *Stabat Mater* and his later, catchier *Gloria* on DG 427 304-2, with Kathleen Battle meltingly sweet and pure in the soprano solos. Other reviewers have remarked a brusque, un-Gallic urgency in Ozawa's treatment. Fair enough, but I should insist also that his steely flair does uncommon justice to Poulenc's ironically brittle pomp and his sharp reversals of mood, where more comfortably "stylish" performances soften the edges.

On BIS CD-434 Neeme Järvi conducts the Bamberg Symphony in Pärt's early "Perpetuum Mobile", his 1966 'cello concerto "Pro et Contra" and his (first) three symphonies (1964-71). Fascinating to hear; many hints – though contradicted by violently contrasting material – of the neo-archaic, impersonal style which has won him an international audience. Hearing the struggles of musical (political? national?) allegiance which led to that is illuminating, probably essential for grasping its real force.

David Murray

Diamond bright dance

Clement Crisp on the NYCB in Glasgow

THE NEW York City Ballet is making a European tour, and its only British port of call is Glasgow – a tremendous one-up for next year's Cultural Capital of the Continent. The Theatre Royal's stage is not large and the repertory has been chosen accordingly, but there was nothing constrained about the two performances on Thursday of *Apollo*, *Square Dance*, *Chaikovsky pas de deux*, and *The Concert*.

NYCB is clearly and gloriously on top form. Everywhere the dance was bright, exact, musically apt, and shown with an unforced and completely natural, dignity. Of course, *Apollo* explains exactly how the young Balanchine saw his way forward in 1928, and it remains relevant to NYCB's identity even today, but it was *Square Dance* that typified for me the especial joy I always feel on seeing the company. It is not a ballet generally accredited as being a masterpiece, or perhaps only a minor one, yet the way it speaks of Balanchine's plan for American dancers gives it real significance. And as danced on Thursday it told – most happily – of a superbly tuned classic ensemble.

So, in the evening, Kyra Nichols became its soul as well as its star with an interpretation exquisitely sure, carefree. In the radiant high summer of her art, Miss Nichols can do no wrong. The dance shines and holds no shadow of imperfection. We see a ballerina modest in her exceptional gifts, and all the more touching because of that. Movement is generous, grand, having that simplicity essential to greatness.

In the afternoon, *Square Dance* was also memorable as the young talents of Margaret Tracey and Peter Boal illuminated the piece. Miss Tracey was bewitching, spring-like, and as ebullient as the best square-dancers. Steps were brilliant-cut, each facet glittering, each accent and phrase part of the music; and enchanting speed never became a gabble as the roulades of steps were poured out. Mr Boal has, from his graduation performance, been marked for fine things. In *Square Dance's* meditative male variation – one of Balanchine's most tremendous gifts to a danseur – he showed an elegance of bearing that was matched by distinction of means and temperament. It was truly noble dancing.

Nobility, of course, from Ib Andersen, the Apollo of the evening, his reading vivid in gesture, full of dramatic savour, as were the performances of his Muses. The canard that NYCB interpretations are often emotionally blank has never seemed more unrealistic than when watching Andersen exploring the young Apollo's world. Every movement was replete with feeling, and reached out with sublime breadth of meaning. In the afternoon, Darci Kistler took the stage as Terpsichore, her golden presence the power of her dancing quite eclipsing Lindsay Fischer's bland Apollo. Her fellow Muses, Maria Calegari and Wendy Whelan, and Melinda Roy and Judith Fugate in the same roles in the evening shaped their solos so that Balanchine spoke to us.

The Concert was looking very stylish, its jokes fresh and sharp, not least when the adorable Lauren Hauser was being ecstatic and much put-upon. And in the *Chaikovsky pas de deux*, I record a delightful account of the ballerina role from Kelly Cass, partnered by Damian Woetzel at the matinee, bubbling through the dance, and from Merrill Ashley striking sparks as she showed off the choreography with diamond wit in the evening. It was a performance combining prodigious technique with an insouciant charm – the wildly difficult made joyous.

Chess No. 789.

1 Ng2. If 1 ... Ke5 2 Nh4 e2 3 Qf5. If 1 ... e2 2 Nc7 e1Q (Ke5 3 Qf4) 3 Qd5. If 1 ... Kd3 2 Nc3 e2 3 Qd5.

Due to production problems the Chess solution last week was omitted. It was:

Chess No. 788:

1 Rc8+! Resigns. If Rxc8 2 Qxb6+ Kd7 3 Nf6+ wins the queen or mates by Ke7 4 Qd6.

Fireworks at the Proms

David Murray reviews Hoddinott's Star Children

A SENIOR composer of "accessible" music must expect his anniversaries to be crowded with commissions, and so Alun Hoddinott has been working hard in his sixtieth year. On Thursday we heard one of those birthday products, *Star Children*, commissioned for the third and last Prom appearance of the BBC Welsh Symphony this season. It proved to be an entirely suitable firework display; the Prommers were audibly delighted, and it was probably fun for the orchestra too. The conductor Richard Armstrong extracted full value from it.

Hoddinott's inspiration came from a television film about the island people of Celebes, who believe their ancestors to have descended to earth from sky-ships. He has imagined a Celebean funeral rite: an invocation with mysterious chant, then a sequence of manic dances, and finally an intensified invocation while the dear departed ascends homeward to the Pleiades. The score cries out for an exotic ballet to accompany; indeed, in contour and general effect it is the very model of a one-act Diaghilev extravaganza. Somewhere in the background – never literally echoed, but always within shouting distance – are Ravel's *Daphnis*, Roussel's *Bacchus*, Paul Dukas' *La Péri*.

For atmosphere there are the customary sustained pedals, high and low (with drum-throbs); the basic musical material – linear and angular – is equally apt for slow, hieratic declamation and for racing repetition in the dances. But Hoddinott's chief material is the unabashed orchestral sound, tingling and clanking with extra percussion: the closing apotheosis (which would do nicely for the a scent of the Mother Ship in *Close Encounters*) owes less to any developed musical argument than to the dense metallic clamour that buoys it up.

None of the composers in Diaghilev's stable would have dared to jettison the dramatic power of harmony so ruthlessly; on the other hand, Hoddinott can rotate and vary his tonally neutral formulas with cool, up-to-date elegance – no specific expressive sense, but expert theatrical contrasts. What one missed, in a score which depends upon a central explosion of rhythms, was any trace of rhythmic adventure. Since the Great War, our musical century has been rich in that. It was disappointing to hear Hoddinott's Star Children treading their paces – however furiously – in the old, innocent patterns: a tarantella or a gigue would hardly have seemed out of place.

Star Children made its colourful balletic splash between two grander pieces. In Beethoven's "Emperor" Concerto the pianist Hugh Tinney was bright, articulate and sensitive, though neither the Adagio (somebody forgot Beethoven's further advice, "un poco moto") nor the finale had enough forward impetus. The woodwinds were unreliably tuned, both there and in Elgar's "Enigma" Variations – blotty, too, in the fifth and tenth variations. With warmly responsive string-playing, Armstrong was able nonetheless to summon up fresh eloquence for Elgar (and not only in "Nimrod"). I found myself anticipating each variation with unwonted excitement, most often rewarded.

SPORT

Two old stagers take a bow

***John Barrett**, at Flushing Meadow, watches Chris Evert and Jimmy Connors, two of the oldest competitors, produce tennis to stir the emotions*

IT HAS BEEN a fascinating fortnight. Indeed, the 109th US Championships, a noisy New York slugfest on unyielding, bone-jarring cement at the National Tennis Centre in Flushing Meadow, has produced some memorable moments. Two of them, involving the two oldest competitors in singles, were particularly poignant.

As Christine Marie Evert stood outside the TV interview studio beneath the giant stands, there was tears in her eyes. But this 34-year-old champion was far too professional to let her adoring public see her in that state. A few moments earlier she had smiled and waved to them, and to the whole nation via television, as she had left the crowded Stadium court at Flushing Meadow for the last time.

A glorious 18-year professional career, which had brought her 1,304 victories from 1,449 matches and 157 tournament titles – more by far than any other man or woman – had ended with a disappointing 7-6, 6-2 loss to fifth seeded Zina Garrison in the quarter-finals of the 109th US Championships. Miss America had played her last match.

By the time she faced the cameras, Chris was fully composed. First she expressed her disappointment that she had been unable to recapture the form that had earned her a decisive 6-0, 6-2 victory over the 15-year-old Yugoslav prodigy, Monica Seles, in the previous round – a win that even her most loyal supporters had hardly expected.

Then came the admission that, for over a year now, she had been so reluctant to make. "Mentally I cannot sustain that intensity every single match. You play a great match two days ago and then today you're a bit flat. And every year it's getting harder to prepare. I cannot face that any more."

Watching her departure was 37-year-old Jimmy Connors who had been engaged to Chris in 1974, the year they both won at Wimbledon for the first time and overnight set the fashion for double-handed backhands.

The 1989 US Open will have bitter-sweet memories for Jimmy who knows that soon he too will have to bow out. His stormy 6-2, 6-3, 6-1 victory in the fourth round over last year's Wimbledon champion, Stefan Edberg, the world's third ranked player, was extraordinary. That Connors was fit to play at all was remarkable.

Two days earlier, after a four-sets victory over fellow left-hander Andres Gomez of Ecuador, Connors had collapsed with severe cramp in the legs and abdomen. Dehydration was diagnosed as the cause.

For a time Connors was in agony. Few expected him to recover in time for his fourth round match – least of all Edberg. But the energy and technical skill displayed by Connors that night were admirable. The verbal obscenities that cost him $2,250 in fines and put him on the verge of disqualification were less attractive.

However, the crowd could not lift Connors to victory in his quarter-final against sixth-seeded Andre Agassi, the man who had beaten him in straight sets at the same stage last year.

It was a strange match, as the 6-1, 3-6, 0-6, 6-3, 6-4 score would suggest. For a set Connors looked uncomfortable physically. He called on the trainer because, he said, he felt nauseous. But Agassi, having been totally dominant for a set, became inhibited. It was almost as if he was embarrassed by his own ill-judged, boastful remarks made after his win last year.

When Connors came charging back in the final set, the atmosphere in the huge stadium was intense. To his credit Agassi played a good last game. Two good first serves and a well disguised drop shot at match point saw him safely home.

In today's semi-final Agassi will play top-seeded Ivan Lendl, whom he has never beaten in five meetings. I do not expect him to break his duck, even though Lendl came desperately close to defeat against the No.1 Russian Andrei Chesnokov in a superb fourth round match. Trailing 6-3, 4-6, 1-6, Lendl was being beaten at his own game as the Russian fired bullet-like drives to the corners. It was an uncomfortable experience for Lendl who was thankful to take the last two sets 6-3, 6-4.

Today's other semi-final is between Boris Becker, seeded two, and the 22-year-old American, Aaron Krickstein (14). Since surviving dangerously in round two against the artistic Californian Derrick Rostagno, who was thwarted by a pass from Becker that clipped the net on one of the two match points he held, the powerful West German has looked better and better.

Having disposed of two difficult, unseeded opponents in Miloslav Mecir and Mikael Pernfors, both in four sets, Becker really turned it on against Yannick Noah in the quarter-finals. This 6-3, 6-3, 6-2 win was truly impressive for the maturity of Becker's play.

On this form Krickstein will be struggling to win a set and even Lendl will be hard pressed in the final, if it materialises.

The second round losses of four-times former champion John McEnroe (4) and the holder Mats Wilander (5) sent shock waves throughout the entire tennis world. Their conquerors were, respectively, *Paul Haarhuis, a qualifier from Holland*, and the 18-year-old Californian Pete Sampras. This was a salutary reminder of the frailty of fame.

For the first time since open tennis began in 1969 all eight seeded women arrived at their appointed places in the quarter-finals. This lack of upset rather confirms my view that women's tennis does not possess the depth we find in the men's game. To reach her semi-final berth against world champion Steffi Graf (who has lost only 14 games in five rounds), Gabriela Sabatini played some beautifully artistic tennis against Arantxa Sanchez, the ebullient Spaniard who won this year's French title. When it mattered, in the third set, Sabatini was rocklike as she won 3-6, 6-4, 6-1.

In the lower half Martina Navratilova (2) has done relatively better than Steffi. She has lost only 9 games and has won 6 love sets.

Jimmy Connors smashing his racket after losing to Andre Agassi

Time to say *ciao* to Italy

***Philip Coggan** thinks England should withdraw from the World Cup*

IT IS time for England to withdraw from the World Cup. That is not a reaction to the national side's failure to score in Sweden, in a game which consisted of 80 minutes of mind-numbing tedium with a few moments of excitement tacked on at the end of each half.

Barring mathematical miracles, England should qualify for the final stages of the Cup. Their competent, if hardly inspiring, team deserves to make it to Italy next summer.

On Wednesday, although Butcher's blood-stained shirt predictably stole the headlines, it was noticeable that the defensive Swedes were easily able to contain the wing threats of Barnes and Waddle. Beardsley's touch deserted him – doubtless, a temporary aberration – and Lineker's luck/killing instinct is not quite what it used to be.

In other words, England remain in the position they have occupied for most of the 1980s – good enough to qualify for the final stages of international competitions, but not good enough to win them. Players who appear to be Titans in English club football are just also-rans in top-class international matches.

But once again, the game itself was overshadowed by the activities of English "supporters". Even though the press has a tendency to exaggerate the smallest incident involving English fans, it is clear that the trouble which occurred on the streets of Stockholm was another new low in English behaviour abroad.

The civilised Swedes can be forgiven for not expecting the barbarism of the English but the police did not help the chances of peace at future internationals. First, they allowed hundreds of supporters into the ground without tickets. Second, those spectators they arrested were simply released and told to go back home.

Even the sub-normal IQ of the average hooligan can understand the implications. They can go abroad whenever England is playing, and if they cause trouble, they will get into the ground without a ticket. The worst punishment they can face is a night in the cells and a boat trip home.

Sales of steel shutters to Italian shopowners and barkeepers must already be booming in anticipation of next summer. Has England the right to inflict its social ills on other nations?

England is the Typhoid Mary of the international footballing community. Its soccer supporters are by no means the only people who cause trouble, but such is their fearsome reputation that other nation's thugs are eager to challenge them at every available opportunity.

Whenever England plays abroad, mayhem will inevitably follow as hooligans indulge in a violent *Jeux Sans Frontieres* in which the winners are the fans who smash the most windows and injure the most police.

Already, the government has asked the Football Association to call off a planned friendly with Holland in Rotterdam in December. Dutch fans are apparently eager to challenge English supporters at our "national game".

However, sports minister Colin Moynihan seems to be saying that the main reason for cancelling the Dutch game is to ensure that further trouble does not jeopardise England's chances of participating in the World Cup finals.

But surely, it must be obvious to everyone that Italy – easily reachable from England by car, let alone train or plane, – is a perfect site for fans to cause mayhem. A two-week tournament, lots of cheap red wine and sun, the availability of plenty of fans from other EC countries, it all adds up to trouble.

England should take a self-denying ordinance and say "We recognise that some of our citizens are determined to cause trouble when they are abroad. Until we can find some solution to our social problems, we shall withdraw from activities, such as international soccer matches, which take our troubles to other countries".

It would be a popular decision in other countries. Just imagine the reaction of Londoners if Italians were regularly running riot at Piccadilly Circus.

And it is not as if England has any chance of winning the World Cup. So, in a sense, by withdrawing, English supporters will be saving themselves the disappointment and emotional strain of watching England get defeated next summer.

True English football lovers will be able to watch the tournament on television and concentrate on enjoying the skills of Gullit and Maradona. If they want to be patriotic, they can support Scotland.

International games involving England are frequently tense affairs, with the English side rendered cautious and predictable by the fear of defeat. If we forgot about internationals, we could concentrate on the joys of the domestic game – a good English League match, played at a hectic pace with some skill, is still a treat to watch.

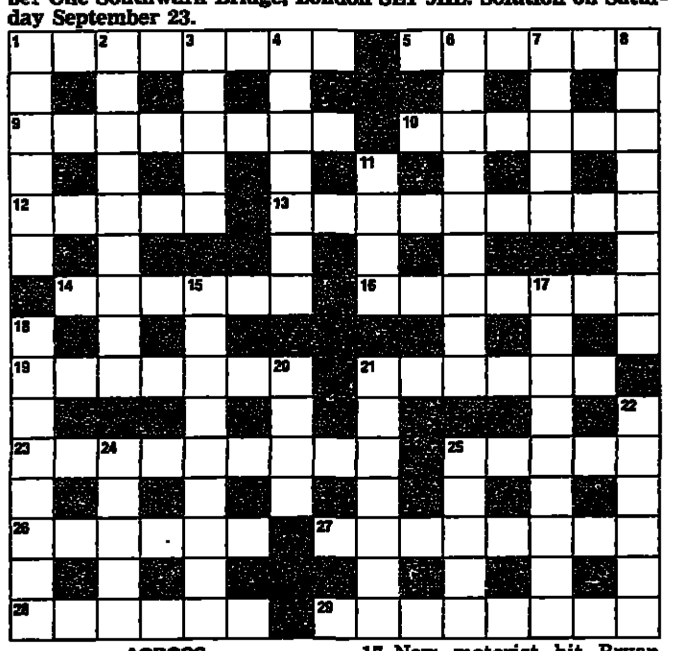
Those English players who want to test their skills on the world stage can always join continental clubs, as many have done in the past. And with no need to worry about building an England team, clubs can recruit the best overseas players to play in the Football League.

The sports pages of newspapers can be freed from the headlines of "Robson Must Go," that follow the slightest setback to the England cause. Bobby Robson can find a less stressful manager's job at a First Division club. And Wembley Stadium can fill its empty spaces with pop concerts or peaceful American Football matches. Everyone will be happy.

CROSSWORD

No. 7,033 Set by GRIFFIN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday September 20, marked Crossword 7,033 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 23.



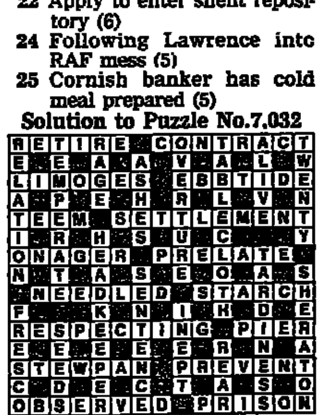
ACROSS

1 On which an opener may be hung (8)
5 Civil Service rejected rough-sounding dirty person (6)
9 Work-crazy uncle has key to riches (8)
10 Writer outside street restaurant (6)
12 Engineer is going round after five faults (5)
13 Outlying areas suit stork going west (9)
14 Bachelor leaves band during ale-drinking bout (6)
16 In Spanish dish place a T-bone (7)
19 Plant one in hot, beastly place (7)
21 Clerk going into corner to grumble (6)
23 Dispute having left pound note in different clothing (9)
25 Fancy fur firm on front of holiday resort (5)
26 Actors backing trade in kinky sex (6)
27 Animated buckles decorated with sequins (8)
28 Road firm introducing model engineers (6)
29 Leash may worry dog (8)

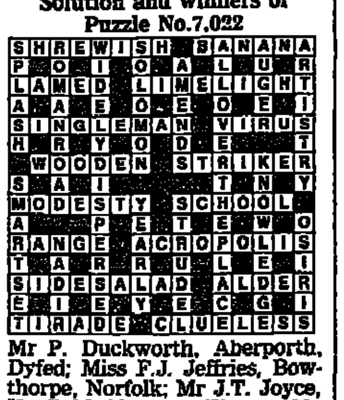
DOWN

1 Track duck into little wood (6)
2 Club turn once performing around Holyhead (9)
3 Iron rep's woolly skirt first (5)
4 Help scrub copper, standing inside it (7)
6 One of two strikers or one of those seeking his dismissal (9)
7 Golf club with no parking, say (5)
8 Fruit sweets need top paper size (8)
11 Favourites to stand the pace (4)
15 Poor side admitting excuses annoy (9)
17 New motorist hit Bryan wandering from maze (9)
18 Inserting ruler controls draughts (8)
20 Tug seen on any stormy weekend (4)
21 About 50 trees I destroyed, not producing fruit (7)
22 Apply to enter silent repository (6)
24 Following Lawrence into RAF mess (5)
25 Cornish banker has cold meal prepared (5)

Solution to Puzzle No.7,032



Solution and winners of Puzzle No.7,022



Mr P. Duckworth, Aberporth, Dyfed; Miss F.J. Jeffries, Bowthorpe, Norfolk; Mr J.T. Joyce, Hatfield, Norton, Worcs; Ms Brenda Lihou, St Peter Port, Guernsey; Mrs Iris Seller, Stoke Poges, Bucks.

TELEVISION & RADIO

SATURDAY

†indicates programme in black and white

BBC1

8:25 am Roobarb. 8:30 UP2U. 10:50 Film: "Earthbound" (1981) with Burl Ives, Todd Porter and Joseph Campanella. 12:27 pm Weather. 12:30 Grandstand. 5:00 News; Weather. 5:15 Regional News; Sport. 5:15 Rolf Harris Cartoon Time. 5:40 The Noel Edmonds Saturday Roadshow. 6:25 Bob's Full House. 7:00 'Allo, 'Allo! 7:30 Russ Abbot. 8:00 All Creatures Great and Small. 8:50 News and sport; Weather. 9:05 Film: "Act of Vengeance" (1985) with Charles Bronson and Ellen Burstyn. 10:35 Saturday Matters. 11:20 Film: "Dracula, Prince of Darkness" (1965) with Christopher Lee, Francis Matthews, Philip Latham, Barbara Shelley and Andrew Keir. 12:45-12:50 am Weather.

BBC2

2:45 pm Network East. 3:25 Film: "Let's Make Music" (1941) with Bob Crosby and Jean Rogers. 4:40 European Three-Day Event Championships. 5:55 Newsview. 6:40 World Cup Athletics. 7:50 David Steel: The Last Liberal? 8:20 Beethoven. 10:05 Autobiographies: The Enigma of Bobby Bittman. 10:35 The Film Club 10:50-1:00 am Film: "Eureka" (1982) with Gene Hackman, Theresa Russell, Rutger Hauer and Jane Lapotaire.

LONDON

9:25 am Motormouth 2. 11:30 The ITV Chart Show. 12:30 A.L.F. 1:00 pm ITN News, national weather. 1:05 Local news, weather. 1:10 Saint and Greavsie. 1:40 Sportsmasters. 2:10 Comedy Classic: Nearest and Dearest. 2:40 Film: Disney's Escape from the Dark (1976) with Alastair Sim, Peter Barkworth and Geraldine McEwan. 4:35 Disney Cartoon Time. 4:45 Results Service. 5:00 ITN News and sport, followed by national weather. 5:15 Local news and weather. 5:20 Disney's "Herbie Goes to Monte Carlo" (1977) with Dean Jones, Don Knotts and Julie Sommars. 7:10 Catchphrase. 7:40 International Athletics. 7:50 The Saint. 8:35 Sunsets. 10:05 ITN News and sport, followed by national weather. 10:20 Local weather. 10:25 League Goals of the Day. 11:05 Film: "Oxford Blues" (1984) with Rob Lowe, Ally Sheedy, Amanda Pays and Julian Sands. 12:50 am International Athletics. 1:30 Film: "X312: Flight to Hell" (1971) with Thomas Hunter and Fernando Sancho, followed by ITN News Headlines.

CHANNEL 4

7:00 am Kaboodle 7:30 Box Office Weekly. 8:00 Streetwise. 8:30 The Oprah Winfrey Show. 9:15 Sing and Swing. 9:25 Murun Buchstansangur. 9:30 Before the Law. 10:00 Opening Up the Family Album. 10:30 Film: "Hollywood Cavalcade" (1939) starring Alice Faye. 12:20 pm Pete Smith Specialties. 12:30 Dance With Me.

†1:00 Film: "Grand Hotel" with Greta Garbo, Joan Crawford, Lionel Barrymore and Wallace Beery. 3:05 Channel 4 Racing. 5:05 Brookside Omnibus. 6:00 Right to Reply. 6:30 Five Women Painters. 7:00 The World This Week. 8:00 A Family at War 9:00 Film: "Day for Night" (1973) with Jacqueline Bisset, Valentina Cortese, Jean-Pierre Aumont, Jean-Pierre Leaud. 11:10 After Dark.

S4C WALES

As Channel 4 except: 8:30 am Sesame Street. 10:30 The Life Revolution. 11:30 The Secret Life of the Vacuum Cleaner. 12:00 Women Writers. 12:30 pm [illegible]. Film: "Call Northside 777" (1948) with James Stewart. 2:30 The Cosby Show. 7:00 Pedwarawd. 7:30 Newyddion. [illegible] 9:35 Tales from the Hollywood Hills. 10:35 Irish Tales.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Batman. 1:30 am The Twilight Zone.

BORDER

2:00 am The Hit Man and Her. 4:00 Coach. 4:30 America's Top 10.

CENTRAL

2:40 pm Film: "Sheena, Queen of the Jungle" (1984). 1:30 am Prisoner: Cell Block H. 2:30 America's Top 10.

CHANNEL

12:30 pm Karting: The Superprix. 1:30 am Viewers' Choice: The Time Tunnel. 2:30 Batman followed by ITN News Headlines. 3:00 Rock of Europe.

GRAMPIAN

12:30 pm Supercross - Honda UK Open. 6:10 Crimestop. 1:25 am The Twilight Zone. 2:00 The Hit Man and Her.

GRANADA

12:30 pm Batman. 5:30 Film: "Carry on Cruising" (1962). 10:55 First Division Special. 11:00 Kojak. 1:30 am The Twilight Zone. 2:00 The Hit Man and Her.

HTV

12:30 pm Batman. 1:30 am Married...With Children. 2:00 Film: "Meteor" (1979) with Sean Connery and Natalie Wood.

TSW

12:30 pm The South West Week. 6:10 Gus Honeybun's Magic Birthdays. 1:30 am The Twilight Zone. 2:00 The Hit Man and Her.

TVS

12:30 pm Karting: The Super Prix. 1:30 am The Time Tunnel. 2:30 Batman. 3:00 Rock of Europe and Music Box Profile. 4:00 The Hit Man and Her.

ULSTER

1:30 am Kojak. 2:30 The Hit Man and Her, followed by ITN News Headlines.

YORKSHIRE

1:30 am The Twilight Zone. 2:00 ITN News Headlines, followed by The Hit Man and Her.

RADIO

(S) Stereo on FM

RADIO 2

6:00 am David Jacobs. 8:05 Sounds of the 60s with Jimmy Tarbuck. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:00 pm Someone and the Grumbleweeds. 1:30 Sport on 2. 6:00 Cinema 2. 6:30 Jukebox Saturday Night. 7:00 The Press Gang. 7:30 Let's Make An Operetta. 9:30 137th British Open Brass Band Championship. 10:15 Martin Kelner. 12:05 am Going Dutch. 1:00 'Nightride'. 3:00-4:00 A Little Night Music.

RADIO 3

7:00 am Morning Concert; Bantock (Overture: The Pierrot of the Minute); 7:12 Finzi (Prelude Op 25 for strings); 7:19 Warlock (Capriol Suite). 7:30 News. 7:35 Britten (Suite: A Time There Was); 7:58 Moeran (Fantasy Quartet); 8:02 Bridge (Suite: The Sea); records. 8:30 News. 8:35 Pascal Roge (piano): Mozart [illegible] 12:00-12:05 am News.

RADIO 4

7:00 am Today. 8:58 News. 9:05 Sport on 4. 9:30 Breakaway. 10:00 News; Loose Ends. 11:00 News; Conference Decision: The TUC. 11:30 From Our Own Correspondent. 12:00 Wilko's Weekly USA. 12:25 pm The House (s).

12:55 Weather. 1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Any Answers? 2:30 Boudicca's Victory. 4:00 News; The Gardening Quiz (s). 4:30 Science Now. 5:00 Conversation Piece. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News; Sports Round-up. 6:25 Citizens (omnibus edition) (s).

7:10 Ad Lib. 7:45 Saturday-Night Theatre (s). 9:15 Music in Mind (s). 9:59 Ten to Ten (s). 9:59 Weather. 10:00 News. 10:15 Tales Of A Man Called Father. 10:30 Young Playwrights Return (s). 12:00-12:30 am News, weather.

SUNDAY

†indicates programme in black and white

BBC1

8:55 am *Playbus*. 9:15 Umbrella. 9:30 This is the Day. 10:00 Film: "Timberjack" (1954) with Sterling Hayden, Vera Ralston, David Brian, Adolphe Menjou and Hoagy Carmichael. 11:30 Cherith. 11:50 Cartoon Double Bill. 12:05 pm See Hear! 12:30 Country File. 1:0 News; The High Chaparral. 2:0 Eastenders.

†3:00 Film: "The Desert Fox" (1951) with James Mason and Cedric Hardwicke 4:25 *Nature's Champion. 5:15 The Clothes Show* 5:45 My Family and Other Animals. 6:15 Lifeline. 6:25 News; Weather. 6:40 Songs of Praise.

7:15 First of the Summer Wine. 7:45 Howard's Way. 8:35 Breed. 9:05 Film: "One Way Out" (1989) with Bob Peck, Lesley Nightingale and Denis Lawson. 10:40 News; weather. 10:55 Everyman. 11:35 The Sky At Night. 12:10 am Network East. 12:50-12:55 Weather.

BBC2

1:05 pm International Bridge Club. 1:35 Grandstand, featuring 1:40 Motor Racing: The Italian Grand Prix *from Monza*. 3:30 Racing from the Curragh. 4:05 Eventing: The European Three-Day Event Championships from Burghley. 4:30 Golf from Walton Heath: The *Panasonic European Open*. 5:50 Athletics from Barcelona. 8:10 The Nature Of Australia. 9:05 Bryan Ferry. 10:00 Grand Prix. 10:40 Moviedrome. 10:43-12:35 am †Film: "Sunset Boulevard" (1950) with William Holden, Gloria Swanson and Erick von Stroheim.

LONDON

9:25 am The Disney Club. 10:45 Link. 11:00 Morning Worship. 12:00 The Human Factor. 12:30 pm The Smurfs. 12:45 Police 5. 12:55 Local News and weather. 1:00 ITN News, national weather 1:10 The Walden Interview. 2:00 Coronation Street.

3:00 Film: "The Bridge At Remagen" (1969) with George Segal, Robert Vaughn and Ben Gazzara. 5:00 Classmates. 5:30 Sunday Sunday. 6:30 ITN News, national weather. 6:35 Local News and weather. 6:40 Highway. 7:15 Murder, She Wrote... 8:10 International Athletics.

8:20 War and Remembrance. 9:50 ITN News, national weather. 10:05 Local weather. 10:10 The Trouble With Joan Collins. 11:10 International Athletics. 11.40 The ITV Chart Show. 12.40-1:35 am Golden Oldies: The *Fugitive*.

CHANNEL 4

7:00 am The Angling Experience. 7:30 International Times. 8:00 Jayce and the Wheeled Warriors. 8:30 Ramona. 9:00 Dennis. 9:25 Movie Mahal Presents ... 10.00 Australian Rules Football 11:00 Pob's Programme. 11:30 The Henderson Kids. 12:00 The Waltons. 1:00 pm Lost in Space. 2:00 A Painter's Paradise. †3:00 Film: "The First Of The Few" (1942) with Leslie Howard and David 5:15 Little Mermaid. 5:25 News; weather. 5:30 American Football. 6:30 The Wonder Years. 7:00 Equinox. 8:00 Man and Music. 9:00 Everyone A Winner. 10:00-1:00 am American Football.

S4C WALES

As Channel 4 except- 9:15 am Hafoc. 10:00 The World This Week. 11:00 Pob's Programme. 1:00 pm Star Test. 1:30 A Family At War. †3:00 Film: "The Women" (1939) with Norma Shearer. 6:30 American Football. 6:30 The Wonder Years: Swingers. 7:00 Lobster Comedies. 7.20 Pobol Tre-Sgidie. 7:30 Canwn Moliannwn. 8:00 Hel Straeon. 8:30 Dechrau Canu Dechrau Canmol. 9:00 Amser Rhyfel (s). 9:40 Y Duw Byw. Hands. 9:45 Movie Museum.

IBA Regions as London except at the following times:

ANGLIA

2:00 pm Highway To Heaven. 3:00 Film:" The London Connection" with Jeffrey Byron, Larry Cedar, David Kossoff, Frank Windsor, Roy Kinnear. 4:30 Wheel Of Fortune. 11:40 Prisoner: Cell Block H. 12:35 am Hodson Confidential, followed by ITN news headlines. 1:05 The Late, Late Picture Show. 3:05 Transmission. 4:05 Throb. 4:35 Pick Of The Week.

BORDER

3:30 pm Film: "Cody" with Tony Becker, Terrence Evans and Patricia Kane. 5:00 Scotsport. 5:00 Classmates. 11:40 Prisoner: Cell Block H. 12:35 am Quiz Night. 1:05 Film: "Judith" (1965) with Sophia Loren, Peter Finch, Jack Hawkins and Hans Verner. 3:05 Pick Of The Week. 3:35 The ITV Chart Show. 4:05 Jobfinder.

CENTRAL

12:30 pm Swallow This! 2:00 Highway To Heaven. 3:00 Film: "The London Connection" (1979) with Jeffrey Byron and Larry Cedar. 4:30 Wheel Of Fortune. 5:30 Coronation Street (omnibus edition). 11:40 Prisoner: Cell Block H 12:40 am Their Life On Your Screen. 3:40 The ITV Chart Show. 4:40 Central Jobfinder '89.

CHANNEL

12:30 pm Reflections. 12:35 Les Francais Chez-vous. 12:50 Cyril Fletcher's TV Garden. 11:40 World Championship Yachting. 12:40 am Film: The Night That Panicked America. 2:30 The Five Minute Show. 2:40 Pick Of The Week. 3:10 Beyond 2000. 4:05 Coast To Coast People. 4:35 ALF.

Leslie Howard (right) and David Niven star in "The First of the Few", C4, 3pm

GRAMPIAN

11:15 am Sunday Service. 11:45 Link. 12:20 pm Landmark. 3:00 Never The Twain. 3:30 Easy Street. 4:00 A Personal View. 4:30 Classmates. 5:00 Scotsport. 6:00 Scotland's War. 11:40 Prisoner: Cell Block H. 12:45 am Quiz Night. 1:15 Film: "Judith" (1965) with Sophia Loren, Peter Finch and Jack Hawkins. 3:15 Pick Of The Week. 3:45 The ITV Chart Show 4:45 Jobfinder.

GRANADA

12:30 pm This is Your Right. 12:50 App Kaa Hak. 2:40 Film: "The Amazing Mr Blunden" (1972) with Laurence Naismith and Garry Miller 4:30 Classmates. 5:00 All Clued Up. 11:40 Prisoner: Cell Block H. 12:35 am Quiz Night. 1:05 Film: "Judith" (1965) with Sophia Loren and Peter Finch. 3:05 Pick Of The Week. 3:35 The ITV Chart Show, 4:35 Jobfinder.

HTV

12:30 pm West Country Farming. 2:00 The Guldenburg Inheritance. 3:00 Film: "Paratrooper" (1953) with Alan Ladd, Leo Genn, Susan Stephen and Harry Andrews. 4:30 All Clued Up. 5:00 Classmates. 11:40 Prisoner: Cell Block H. 12:40 am The ITV Chart Show. 1:35 Hammer House of Mystery and Suspense. 2:55 *The Hit Man and Her*. 3:55 The Outsiders. 4:50 Jobfinder.

TSW

12:30 pm Farming News. 2:30 Film: "The Amazing Mr Blunden (1972) with Laurence Naismith and Lynne Frederick. 4:20 Gus Honeybun's Magic Birthdays. 4:30 Classmates. 5:00 ALF. 5:30 Coronation Street (omnibus edition). 11:00 Crime Story. 12.35 am Quiz Night. 1:05 Film: "Judith" (1965) with Sophia Loren and Peter Finch. 3:05 Pick Of The Week. 3:35 The ITV Chart Show.

TVS

11:40 pm Late Night Late. 12:40 am Film: "The Night That Panicked America (1975) with Paul Shenar and Vic Morrow 2:30 The Five Minute Show 2:40 Pick Of The Week. 3:10 Beyond 2000. 4:05 Coast To Coast People. 4:35 ALF.

ULSTER

12:30 pm A Heritage From Stone. 2:35 McGilloways Way. 3:00 Film: "The London Connection". (1979) with Jeffrey Byron and Larry Cedar. 4:30 What On Earth Are We Doing? 11:40 Transworld Sport. 12:35 am Quiz Night. 1:05 Film: "Judith" (1965) with Sophia Loren and Peter Finch. 3:05 Pick Of The Week. 3:35 The ITV Chart Show. 4:35 Jobfinder.

YORKSHIRE

12:25 pm *Runaway Island*. 3:00 The World Sailing Championships. 11:40 Ellis Island. 12:40 am ITN News headlines followed by The ITV Chart Show. 1:40 Pick of the Week.2:10 ITN News headlines followed by Garrison's Gorillas. 3:05 Grand Ole Opry Live. 3:35 Music Box. 4:35 Jobfinder.

RADIO

(S) Stereo on FM

RADIO 2

6:00 am Graham Knight. 7:30 Roger Royle. 9:05 Melodies For You. 11:00 Desmond Carrington. 2:00 pm Benny Green. 3:00 Marcel Stellman. 4:00 Instant Sunshine Comes of Age. 4:30 Sing Something Simple. (5:00 FM joins Radio 1). 7:00 Charlie Chester. 8:30 Sunday Half-Hour. 9:00 Your Hundred Best Tunes. 10:05 Songs from the Shows. 10:45 Mark Laxmer. 11:00 Peter Clayton. 7:00 am Colin Berry presents 'Nightride'. 3:00-4:00 A Little Night Music.

Medium Wave as FM except- 2:00-7:00 pm Sunday *Sport*, featuring athletics, motor racing, three day eventing, golf, cricket and tennis.

RADIO 3

7:30 am News. 7:35 By Arrangement. 8:30 News. 8:35 Your Concert Choice. 10:30 Prom Talk. 11:00 BBC Philharmonic. 12:00 Ruud van der Meer (baritone) with Rudolf Jansen (piano): Brahms, Wolf, Ibert, Faure, Duparc. 1:25 pm Poet of the Month. Thom Gunn. 1:30 Symphonic Winds. 2:40 Flute and Strings. Alberni String Quartet with Michelle Lee (flute): Boccherini (Flute Quintet in G, G423), Mozart (Flute Quartet in A, K298) Boccherini (Flute Quintet in E flat, G424).

3:10 Edinburgh Festival 1989. Nouvel Orchestre Philharmonique and the Edinburgh Festival Chorus conducted by Marek Janowski: arr Berlioz (La Marseillaise), Cherubini (Requiem in C minor), Beethoven (Symphony No 3, 'Eroica'). 5:10 Celebrity Recital. Melvyn Tan (fortepiano). 6:15 Sailing without an Anchor. Michael Charlton presents the first of five documentaries on America's National Security Council. 7:00 *Oboe and Organ*.

7:30 Proms 1989 (live relay) Scottish Chamber Orchestra conducted by Sir Peter Maxwell Davies, with Andras Schiff (piano): Haydn (Symphony No 43, 'Mercury'), Mozart (Piano Concerto No 27) 8:35 Peter Maxwell Davies talks to Michael Berkeley 8:50 Maxwell Davies (Symphony No 4). 9:35 Mass for an Abbey Church. 10:00 Fire and Ice. 11:00 *Mozart's Salzburg Sonatas. Christian Blackshaw* plays Mozart's Piano Sonatas in E flat (K282) and in G (K283). 11:35 Beethoven. Octet in E flat Op 103 played by wind soloists of the Chamber Orchestra of Europe. 12:00-12:05 am News.

RADIO 4

2:00 am News; 7:10 Sunday Papers. 7:15 On Your Farm. 7:40 Sunday with Clive Jacobs and Andrew Green. 8:50 Appeal. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service. 10:15 The Archers. 11:15 News Stand. 11:30 Pick of the Week. 12:15 pm Desert Island Discs (s). 12:55 Weather. 1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 Body and Soul. 3:30 Forbidden Journey. 4:00 Classic Features. 4:47 Enquire Within with Dilly Barlow.

5:00 News; Down the River Trent. 5:40 First Person-Second Time. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 Viva Garibaldi! 6:30 While the Cat's Away...(s). 7:00 News; Louder Than Words. 7:30 Enterprise. 8:00 A Good Read (s). 8:30 Odds Against. 9:00 News; Just Three Wishes. 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 Firm Friends. 11:00 The Christian Centuries. 11:30 Seeds of Faith (s). 12:00-12:30 am News.